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Letter dated 20 October 2011 from the Permanent Representative of Eritrea to the United Nations addressed to the President of the Security Council

I have the honour to attach herewith Eritrea's comprehensive response to the report of the Monitoring Group on Somalia and Eritrea (S/2011/433) (see annex).

Referring to the letter of my Foreign Minister, Osman Saleh, dated 7 October 2011 (S/2011/623, annex), I would like to take this opportunity to express my delegation's deep concern about the resolution recently tabled by the delegation of Gabon. Eritrea strongly believes that Gabon's position does not represent Africa's position and that the act itself would further complicate the precarious situation in the Horn of Africa. What Ethiopia is pushing for in the Security Council is a matter of concern to the region and should be discussed first at the African Union level.

I wish to urge the Council members to carefully examine Ethiopia's attempt to dismantle the economic infrastructure of Eritrea for its own political objectives through the Security Council resolution vis-à-vis Eritrea's response to the accusations presented by the Monitoring Group. At this time, what is required are not isolationist measures that would further destabilize the region but diplomatic and political efforts that will build trust and confidence among the countries of the region. In this regard, it is my earnest hope that the Security Council will actively look into the sources of tension and conflict in the region, in particular Ethiopia's non-compliance with the border ruling, which has acted as an impediment to better bilateral relations and more stable and secure regional cooperation. The non-resolution of this matter is indeed a serious threat to peace, security and development in both nations and in the entire Horn of Africa.

I would be most grateful if the present letter and its annex were circulated among the members of the Security Council and issued as a document of the Council.

(*Signed*) Araya **Desta**
Ambassador and Permanent Representative

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Annex to the letter dated 20 October 2011 from the Permanent Representative of Eritrea to the United Nations addressed to the President of the Security Council

Response of Eritrea to the report of the Monitoring Group on Somalia and Eritrea

17 October 2011

Contents

		Page
	Executive summary	3
I.	Introduction	6
II.	Governance and regional policy	7
	A. State structure, decision-making processes and ties with the People's Front for Democracy and Justice	7
	B. Eritrea's regional policy	10
III.	Eritrea's economic, financial, and monetary policies	15
	A. Eritrea's development strategy	15
	B. Eritrea's economic prospects	17
	C. Eritrea's financial system	18
	D. Role of the Eritrean diaspora	19
IV.	Eritrea's response to the specific accusations	20
	A. Support to armed groups involved in violence, destabilization or terrorist acts	20
	B. Violations of the arms embargo	24
	C. Export of ammunition and arms	27
	D. Businesses and financial operations of the People's Front for Democracy and Justice	28
	E. Honorary councils and offshore business partners	31
	F. Contraband trade and human smuggling and trafficking	33
V.	Conclusion	34
	Enclosures	36

Executive summary

Eritrea fully cooperated with the Monitoring Group on Somalia and Eritrea in the discharge of its mandate. It hosted the Monitoring Group twice in Eritrea, participated in a third informal discussion in Europe and responded in good faith to the Monitoring Group's written queries.

The report of the Monitoring Group is unnecessarily encumbered by lengthy commentary and analysis of the Eritrean situation, policies and institutions predicated on incomplete information and superficial understanding and that are squarely at variance with the realities in the country. It is further clouded by detailed descriptions of many and seemingly serious allegations — some deemed "credible" and others "circumstantial" — but which the Monitoring Group admits are not supported by any conclusive evidence.

If the report of the Monitoring Group is examined carefully, the wheat duly separated from the chaff, and the cut-off date of December 2009, when Security Council resolution 1907 (2009) was adopted, taken as the point of reference, the conclusion that Eritrea is not in any violation of the resolution is starkly clear and inescapable.

There is no conclusive evidence in the report of any Eritrean violations in regard to Somalia and Djibouti, as well as the arms embargo on Eritrea. This is highly significant, as it was accusations of Eritrean wrongdoing in regard to Somalia (particularly support to Al-Shabaab) and Djibouti that were the basis for the imposition of sanctions on Eritrea in the first place. Fairness would require an acknowledgement of this fact and a decision to lift the sanctions against Eritrea.

Regarding Somalia, given that the allegations of Eritrea's military support to Al-Shabaab have been the central concern of the Security Council and the main impetus behind the imposition of sanctions under resolution 1907 (2009), it is remarkable that the report confirms that Eritrea is not in violation of the resolution in regard to military support to Al-Shabaab or any armed group in Somalia. It mentions claims from unidentified sources of Eritrean arms shipments to Kismayo (in fact Ethiopia had publicly made those accusations) but states categorically that it could not independently verify the reports.

Regarding financial support, the Monitoring Group states that it has documentary evidence of Eritrean payments not to Al-Shabaab but to "individuals linked" to the organization, but admits that these relate only to 2008, a full year before the cut-off date. It mentions allegations that financing continues, again not to Al-Shabaab but to "individuals" that the Monitoring Group believes "have links" to Al-Shabaab, one source claiming to the tune of $80,000 per month, but does not present any evidence. The difference between financial support to Al-Shabaab and to individuals that the Monitoring Group thinks are associated with Al-Shabaab is subtle but highly significant. One of the persons the Monitoring Group mentions, Ugas Abdi Dahir, for instance, is a well-known clan figure who, as far as Eritrea was aware, was not affiliated to Al-Shabaab. It is also pertinent to mention that the Monitoring Group definitively states that the $70 million to $100 million that Al-Shabaab generates in yearly revenue comes from "taxation and extortion in areas under its control, notably the export of charcoal and cross-border contraband into Kenya".

On Djibouti, the report presents two allegations of what it calls Eritrean support of limited scale. The first of these is attributed to a dubious source and relates to the period prior to December 2009. The second allegation concerns a cache of Soviet-era explosives which were found hidden in a cave in Djibouti, in regard to which the Monitoring Group states categorically that it "has been unable to trace their place of origin or chain of custody". It is therefore clear that there is no evidence of Eritrean violation of resolution 1907 (2009) in regard to Djibouti.

The centrepiece accusation against Eritrea, the basis for calls for additional sanctions, is the sensationalized allegation of a "plot" to bomb Addis Ababa during the African Union summit in January 2011. Here it is important to point out that the goal post in accusations against Eritrea has shifted from Somalia and Djibouti to Ethiopia, which is the culprit, accuser and source of all "evidence" at the same time. In addition, Eritrea would have no interest in disrupting a summit of the African Union, precisely at the time that it was fruitfully engaging with its sisterly African countries and when it had just reopened its mission in Addis Ababa and was participating in the summit for the first time after a long absence. Nor is it reckless or stupid to contemplate such a hideous attack.

In this response, Eritrea has fully responded to the allegations of the Monitoring Group regarding the alleged "bombing plot". Eritrea does not give any credence to Ethiopia's allegation that there was indeed any plot to bomb Addis Ababa during the African Union summit. Given the track record of the Ethiopian Government, which routinely accuses Eritrea and an assortment of opposition groups of terrorist plots, and the timing of the allegations, it is highly probable that this was a fabrication of the Ethiopian Government to provide "justification" for enhancing sanctions against Eritrea. Recently released WikiLeaks documents show that a series of explosions that occurred in Addis Ababa in September 2006 and that the Ethiopian Government claimed were part of a coordinated terror attack by the Oromo Liberation Front (OLF) and Sha'abiya (Eritrea) aimed at disrupting democratic development may have in fact been the work of the Government of Ethiopia security forces. In both allegations, the OLF and Eritrea are blamed, the first aimed at "disrupting democratic development", the latter at "disrupting the African Union summit". The language clearly points to Ethiopian disinformation.

But even if we grant that there was a bombing plot, the Monitoring Group's speculative claim that the bomb plot was conceived, planned and directed by the Eritrean National Security Agency but falsely flagged as an OLF initiative is totally unfounded and untenable, as Eritrea's reply conclusively shows and the narrative of the Monitoring Group unwittingly betrays.

It is thus clear that Eritrea is not in violation of resolution 1907 (2009) on any count. On the contrary, much that is positive has taken place since then. Eritrea and Djibouti have accepted mediation by the Emir of Qatar, and Eritrea has acceded to the request to redeploy its troops. Eritrea's positive and constructive engagement at the regional, continental and international arenas is widely acknowledged and encouraged.

There is no basis under resolution 1907 (2009) to maintain sanctions on Eritrea, let alone consider taking additional measures directly aimed at starving the Eritrean people, which Ethiopia is pushing for as part of its war against Eritrea and which will further destabilize the region.

Eritrea thus calls on the Security Council to fully consider this reply, acknowledge that Eritrea is not in any violation and that significant progress has been registered, and lift the sanctions that were imposed two long years ago. It calls on the Council to take urgent and strong action to ensure that Ethiopia complies with Council resolutions, end its illegal occupation of Eritrean territory and stop its destabilization of the Horn of Africa region.

I. Introduction

1. The Monitoring Group on Somalia and Eritrea, established on 19 March 2010 pursuant to paragraph 6 of Security Council resolution 1916 (2010), submitted its report to the Security Council on 18 July 2011. Contrary to all established norms, Eritrea was denied access to the report when it was formally submitted to the Council. During the event, the Eritrean delegation, which addressed the Council on 19 July 2011 in an "informal and interactive setting", was put in an awkward position. As it happened, Eritrea's delegation had to give an impromptu response to the main allegations contained in the report on the basis of incomplete information made available to it in the form of briefings.

2. In proceeding to submit its full response through this reply, Eritrea wishes to put on record its strong objections to this erroneous and unfair treatment. In the interests of fairness and justice, Eritrea should have been granted unfettered and prompt access to all charges and allegations levelled against it by any party. This is a rudimentary right of any accused party in any judicial process or serious inquiry. Eritrea should have also been provided with the full identities of the plaintiffs and assorted "witnesses" that presumably instigated or corroborated the wild accusations levelled against it.

3. Unfortunately, the Monitoring Group chose to blatantly ignore these elementary procedures and went on to essentially compile a document that is no more than an inventory of all the invective against Eritrea peddled by its avowed arch-enemies and detractors. In the circumstances, Eritrea maintains that the credibility of the whole report has been severely compromised, failing to meet, as it does, minimum standards of objectivity and neutrality.

4. Furthermore, and for reasons that are not known to Eritrea, the members of the Monitoring Group went to unprecedented lengths to wage a crusade against the Government of Eritrea, the People's Front for Democracy and Justice (PFDJ) and respectable and law-abiding members of the Eritrean community in the diaspora, as well as foreign friends of Eritrea, including some honorary councils.

5. During their two visits to Eritrea, the members of the Monitoring Group stayed in the country for less than 15 days in aggregate. Yet, they indulge in the most irresponsible and gratuitous narration of a country and people they know little about.

6. Indeed, the members of the Monitoring Group go overboard in their attempt to delegitimize and criminalize the Government of Eritrea and senior members of PFDJ. In the first place, this is not within their purview and mandate. Secondly, this egregious act constitutes either a grave error of judgment or some wilful political agenda that puts their professionalism, competence and integrity on the line. The baseless indictments they have levelled against law-abiding Eritrean citizens and foreign friends of Eritrea constitute, in addition, serious cases of personal defamation that are susceptible to individual libel suits by the aggrieved parties.

7. The report of the Monitoring Group is not limited to making a parody of Eritrea's State institutions and PFDJ. Eritrea's foreign policy, its bilateral and multilateral relations, its economy and its financial institutions are likewise liberally slighted in the most condescending, albeit amateurish, manner. Here again, apart from legal and procedural issues of mandate and jurisdiction, the overall conduct of

the Monitoring Group casts serious doubt on its professional competence as well as character in terms of impartiality and integrity.

8. The Monitoring Group's methodology of evidence collection and validation is an additional dimension that accentuates the sloppiness of the whole exercise. The report frequently refers to interviews or discussions with foreign law enforcement agencies, active Eritrean Government contacts, former military or diplomatic officials, Eritrean individuals directly involved in people smuggling operations, etc. and attributes most of its presumptuous findings and conclusions to these murky sources. Why the Monitoring Group felt it could take, essentially at face value, the "testimonies" of intelligence services of foreign countries who harbour ill will against the people and Government of Eritrea; Eritrean nationals who are active members of armed subversive groups; "contacts" who are obviously under the illicit payroll of the Monitoring Group or other foreign entities; and even notorious criminals, while dismissing any explanation that emanates from the Government or any law-abiding Eritrean citizen is surely mind-boggling. Its sweeping narration on the Government structure, economy, foreign policy, and institutional linkages and relations between the State and PFDJ all emanate from these murky sources without serious reference to other perspectives and explanations. What must be stressed here is that the Monitoring Group virtually ignored formal Government channels as it scurried for information on the country, its people and Government.

9. Under the circumstances, Eritrea's reply will not be confined to merely refuting the various allegations contained in the report. In order to provide the appropriate perspective and backdrop, the first part of the response will dwell on: (a) the structures of the State and institutional relations between the State and PFDJ; (b) Eritrea's regional policy; and (c) Eritrea's economic, financial and monetary policies as well as the rationale and scope of the 2 per cent recovery tax that is applicable to Eritrean citizens residing abroad. The second section of the reply will address the specific allegations contained in the Monitoring Group's report.

II. Governance and regional policy

A. State structure, decision-making processes and ties with the People's Front for Democracy and Justice

10. Nation-building and State structure formation and evolution are enormous tasks that cannot be accomplished in a couple of years. In this context, it is evident that institution-building in the young Eritrean State remains a dynamic work in progress whose full consummation will require some more years. But even within these normative constraints, what has been achieved in Eritrea in barely 20 years of independence is considerable indeed. This is in spite of insidious external adversities and material resource limitations.

11. One critical element that was pivotal in accelerating the establishment of viable and functional State institutions and structures early on after independence was the fact that the Eritrean People's Liberation Front (EPLF), which vanquished Ethiopian colonial presence in Eritrea, was not a mere fighting force. EPLF, which had galvanized Eritreans from all walks of life — from highly trained professionals to ordinary peasants — to directly participate in the armed struggle or support the liberation war in various auxiliary capacities, was able to install and develop, in a

microcosm style, the structures and functions of a virtual State long before the country's liberation on 24 May 1991. Sustained civilian administration of the rural areas and major cities and towns that were liberated in the course of the 30-year armed struggle that was predicated on a protracted war strategy; the provision of medical services and education; the adjudication of civil disputes and penal cases; the enactment of transitional laws to govern land tenure, women's equal rights, etc. were some of the major undertakings that EPLF embarked on from the mid-1970s onward and that prompted the emergence of State structures and mores. These were progressively refined in the course of the next two decades to equip EPLF with a full-fledged State structure in waiting at the time of the full liberation of the country in 1991.

12. External adversity and the almost total absence of outside backing for the Eritrean struggle — although it deserved international support and recognition as a legitimate cause of national liberation — were other elements that contributed to fostering a strong culture of accountability and grass-roots democracy in the political orientation and practices of EPLF. The liberation war was waged solely on the basis of the voluntary participation and material contributions of the Eritrean people, mostly funnelled through various organizations of civil society. This could not but consolidate the social contract between EPLF and the Eritrean people and breed a culture of transparency, accountability, and a deep political tradition of two-way communication and consensus-building.

13. Equipped with this armoury, EPLF was able to establish a functional provisional Government in the immediate days after the country's independence on 24 May 1991 and conduct the widely acclaimed, internationally supervised referendum in April 1993 to imbue additional international legitimacy to the hard-won independence of the Eritrean people. In the meantime, an independent judiciary based on inherited but revised transitional civil and penal codes was established. The formation of the legislature — the third branch of Government — did not occur concurrently at the national level due to vital administrative and political work that required longer processes, although district and regional assemblies were formed through elections in 1992. As it happened, the country was divided into six administrative zones with executive and legislative regional bodies that possess devolved jurisdiction on local development policies and programmes, while EPLF convened a congress in 1994 to metamorphose, under the new conditions and revamped Charter, as well as newly elected decision-making bodies, into the People's Front for Justice and Democracy (PFDJ). The 150-member National Assembly was subsequently formed from these regional bodies and PFDJ as an interim national legislative body or parliament.

14. In tandem with these measures, the Government of Eritrea earnestly set in motion an intensive process of Constitution drafting and ratification that was accompanied by the widest possible popular consultation — both inside the country and in the diaspora — and rigorous programmes of civic education that spanned a period of three years. These and the supplementary enactment of a plethora of laws that buttressed good governance — on press freedom, labour, religious practices, investment, land tenure, etc. — constituted a purposeful consolidation and enhancement of the social contract that EPLF had forged in the difficult years of the armed struggle and that was projected to become the bedrock of a modern and democratic Eritrean State.

15. This momentous progress and the promising start that Eritrea had made in a matter of a few years were put in jeopardy by Ethiopia's flagrant decision to unleash a new wave of hostilities on 13 May 2008 (enclosure 1). The war, which lasted for two years until 18 June 2000, when both parties signed the Algiers Peace Agreement; more gravely, Ethiopia's refusal to abide by the "final and binding" decision of the Eritrea-Ethiopia Boundary Commission; its continued occupation of sovereign Eritrean territories; and the failure of the international community, including the Security Council, to take any remedial action, could not but affect the pace of the political, economic and social developments which Eritrea had embarked on with earnestness during the period of relative peace after three decades of the armed struggle for liberation.

16. Still, the new realities of a quasi-permanent state of tension and potential conflagration did not alter in any significant way the political and developmental trajectories that the Government of Eritrea had initiated out of its profound conviction and commitment to the values of social justice and genuine democracy that were expressly enshrined in the Charter of PFDJ. The institutions of the State have indeed been strengthened and refined through periodic functional reviews and vigorous efforts and investment on the country's human capital. The functions of cabinet-level ministries have been better articulated to limit their authority to: (a) sectoral policy formulation; (b) articulation and enforcement of sectoral regulations; (c) human resource development; and (d) research. The administrative zones and elected regional assemblies have jurisdiction over sectoral policy implementation in their respective territories.

17. The independent judiciary has not only been strengthened in human capacity and service outreach throughout the country, including through the innovative establishment of Community Courts to adjudicate civil disputes that do not involve damages that exceed ERN 100,000 (Proclamation 132/2003), but the Ministry has undertaken a comprehensive review of the transitional civil and penal codes to draft a new set of laws that will enhance better delivery of justice and that have greater consonance with fundamental tenets of human rights, as enshrined in the Universal Declaration of Human Rights and other conventions that Eritrea is a party to. To stamp out incipient official corruption and embezzlement of public funds in line with its zero tolerance for these potential malaises, the Government had established a Special Court in a pioneering measure in 1996 (Legal Notice 85/1996). This has now been buttressed by the adjunction of a second-tier body which acts as an appellate court for these specific cases.

18. But as stated previously and notwithstanding all these achievements, the calendars of some critical milestones, especially the implementation of pronounced landmarks in the national legislative architecture and associated laws, have been and remain adversely affected due to new realities imposed by exogenous forces. These drawbacks, however, have emanated from and represent pragmatic adjustments in response to a bellicose external environment imposed by exogenous forces and cannot otherwise be misconstrued as some degeneration in the political commitments, values and practices of the Government of Eritrea and/or PFDJ.

19. The Monitoring Group on Somalia and Eritrea is apparently oblivious to these events and facts. It is either pathetically ignorant of Eritrea's recent historical trajectory or has deliberately and maliciously chosen to brush it aside. This is what it had to say in its overzealous crusade to portray Eritrea in the most negative way:

"It would be hard to conceive of two States that offer greater contrasts than Somalia and Eritrea: the former, a collapsed State for over two decades, with no functional national institutions; the latter, possessing the most highly centralized, militarized and authoritarian system of government on the African continent.... in both cases, power is concentrated in the hands of individuals rather than institutions and is exercised through largely informal and often illicit networks of political and financial control. Leaders in both countries often depend more heavily on political and economic support from foreign Governments and diaspora networks than from the populations within their own borders...." (p. 11).

20. The Monitoring Group's unbridled diatribe against the Government of Eritrea continues in other pages. On page 13, for instance, it claims: "Eritrea's support for such groups can only be understood in the context of its unresolved border dispute with Ethiopia. It is also symptomatic, however, of the systematic subversion of the Government of Eritrea and party institutions by a relatively small number of political, military and intelligence officials, who instead choose to conduct the affairs of state via informal and often illicit mechanisms, including people smuggling, arms trafficking, money-laundering and extortion." Yet on another page, it crows: "The Constitution ... was suspended, elections indefinitely postponed, and a de facto state of emergency introduced. Eritrea's ruling party, the People's Front for Democracy and Justice ... resumed its posture as a fighting front, retaining de facto control over functions that would normally be discharged by the State. As a result, State and even party institutions have been left to atrophy, while power and resources have become increasingly concentrated in the hands of a small number of individuals and are largely managed outside Government institutions and channels" (para. 256).

21. The Monitoring Group did not bother to look at the structures, decision-making processes and track record of the Government of Eritrea in the past 20 years. It did not seek meetings with Government authorities, PFDJ officials or the general populace in regard to these matters. And yet, it felt no qualms in parroting what Ethiopia and Eritrea's other detractors repeat ad nauseam and in publicly sullying, with appalling audacity and irresponsibility, the Government of Eritrea and PFDJ. This irresponsible conduct can neither be acceptable nor pardonable.

B. Eritrea's regional policy

22. Although it has various facets and dimensions, Eritrea's regional policy may be succinctly described as anchored on the promotion of a safe and cooperative neighbourhood.

23. This policy emanates from and is underpinned by compelling economic, political and security considerations. The economic rationale is clear to merit lengthy elucidation. The reality of regional economic complementarities amid the inexorable trend of globalization; the exigencies of creating a regional common market to attract foreign investments of scale; as well as historical affiliations and trade ties that obtain between the peoples of the region that transcend the limits set by geographic boundaries dictate that functional regional economic blocs are fostered and consolidated. The political imperative is equally evident, as almost invariably in all these countries, the same linguistic and ethnic groups straddle State

boundaries. The fact is the peoples of the Horn of Africa region are bound by deep historical ties as well as cultural affiliations. Security considerations assume paramount importance due to the deleterious spillover effects of turmoil or instability in any country; the tendency of opposition movements to seek haven in neighbouring countries; as well as a recent history of tragic intra-State wars.

24. This policy precept has been pursued and implemented by the Government of Eritrea through a three-pronged strategy: (a) the promotion of regional security architectures that can play a pivotal role in the prevention, management and resolution of conflicts; (b) strict adherence to international laws and conventions of conflict settlement and associated instruments; and (c) the cultivation of robust bilateral ties with individual neighbouring countries.

25. To this end, Eritrea joined the Intergovernmental Authority on Development (IGAD) in 1993, soon after its independence, and contributed its share when the latter was revitalized in 1995 to promote the aims described above. Eritrea, together with Ethiopia and Uganda, also formed at that time what was commonly referred to as the "front-line States" when the Sudan was pursuing the spread of fundamentalist ideology to the Horn of Africa region and beyond.

26. In 1995, Eritrea was dragged into minor skirmishes with Yemen when the latter not only laid new claims on but also put settlements in the Hanish Islands. These islands were always part of Eritrea (during Italian, British temporary administration and Ethiopian colonial rule). Unfortunately, the new claims by Yemen spawned tension and confrontation — albeit minor and ephemeral — between the two sisterly countries. The underlying dispute and the delimitation of the maritime boundary of both countries were soon referred to international arbitration on the basis of an agreement brokered by the French Government and signed by both parties. The arbitration award was not decided in Eritrea's favour. But, in line with its strict adherence to international law, Eritrea gracefully accepted the verdict and evacuated its troops from the islands promptly.

27. From 1991 until 1998, Eritrea and Ethiopia worked closely to bring about a solution to the Somali crisis. Eritrea's moderating role was widely acknowledged at the time, since Ethiopia — as it is the case today — often mingled its involvement in the regional efforts with its inherent mistrust of any central Government in Somalia and predilection to seek a fragmented and balkanized Somalia.

28. Eritrea's constructive and disinterested role in Somalia was not dampened in the years following the war with Ethiopia. Eritrea continued to promote, in its modest capacity and principally through the regional forum of IGAD as the most appropriate vehicle, an enduring solution to the crisis in Somalia. In its genuine efforts and quest to cultivate a common regional consensus on the diagnosis and most viable solution to this seemingly intractable problem, Eritrea did not hesitate to go against the international current to publicly pronounce its views and opinions with honesty and candour. Especially towards the end of 2006 when some IGAD member States coalesced, under the prodding of the United States Administration, to contemplate and literally endorse military invasion by Ethiopia, Eritrea passionately advocated against this ill-advised and unwarranted measure which could not but plunge Somalia and the Horn of Africa region into a far deeper crisis. In the extraordinary summit that IGAD convened in August 2006, Eritrea argued against the misguided approach that mingled the "war on terror" with the complex clan conflict in Somalia and against singular military solutions that either failed to

comprehend or deliberately misconstrued the multifaceted features of the Somali conundrum. At this critical forum and in other instances thereafter, including at the conference in Turkey held in 2010, Eritrea tried to unreservedly elucidate, and solicit support for, the contours of an alternative and viable solution hinged on its own different perspectives and appraisal of the realities on the ground (enclosures II-VI). Almost five years since the onset of these events, the perplexing situation in Somalia continues unabated, Eritrea's premonitions have not been allayed, and the level of destruction, loss of life and misery that afflicted Somalia in the last five years has been unparalleled indeed.

29. Eritrea has also tried to play its part in the regional and international efforts to facilitate viable and enduring solutions to the problems in the Sudan. Eritrea's pivotal contributions in the articulation of the Declaration of Principles that IGAD enunciated in 1994 is a matter of historical record. This was the fundamental philosophical architecture on which the Comprehensive Peace Agreement, signed by the parties in 2005, was later based. With its partners in IGAD, Eritrea was constructively involved, through its envoy, in the facilitation of the negotiations that led to the signing of the Agreement. Eritrea's catalytic role in bringing about an agreement between the central Government in Khartoum and the eastern opposition movements (enclosure VII), as well as its multiple joint efforts with other regional countries — Chad, Libya and Qatar — to contribute to a congenial environment for a Sudanese solution to the problems in Darfur all fit in and are in consonance with its policy precepts of a safe neighbourhood described above. As a result of this long-standing constructive engagement, Eritrea today enjoys warm and all-rounded ties of good-neighbourliness and cooperation with the Government of the Sudan and the newly independent Republic of South Sudan.

30. Eritrea's bilateral ties with Djibouti have been mostly smooth, despite the current difficulties, which Eritrea does not believe are rooted in good-faith misunderstanding (enclosure VIII). As the parties have agreed to submit the dispute to the mediation of the Emirate of Qatar, Eritrea does not wish to go into greater detail here. As far as the specific allegations contained in the Monitoring Group's report are concerned, Eritrea will provide a detailed response in the second part of this document.

31. Through its Parliament, Ethiopia declared war against Eritrea on 13 May 1998. Ethiopia did so by misconstruing minor border skirmishes that occurred in Badme, the Eritrean town that remains occupied by Ethiopia to date. Ethiopia had stealthily occupied the Eritrean town of Adi-Murug in the central zone a few months back and had further attempted to encroach on Eritrean territories in the Assab region in January that year. The war continued for two years despite several agreements that were initially accepted and later thwarted by Ethiopia. When the two sides finally signed the Algiers Peace Agreement that was guaranteed by the Security Council — explicit provisions in the Agreement inserted at the insistence of Eritrea in the face of repetitive Ethiopian breaches of previous agreements and the shoddy behaviour of reneging on its solemn commitments — and the kernel of the problem solved legally through the arbitral decision of the Eritrea-Ethiopia Boundary Commission in April 2002, Ethiopia again chose to flagrantly violate its treaty obligations and international law to reject the implementation of the final and binding arbitral decision and to continue its occupation of sovereign Eritrean territories. Ethiopia has therefore been the principal source and continues to be the main cause of regional destabilization.

32. Ethiopia has also been actively propping up Eritrean subversive armed groups since 1998 in pursuit of its sinister aims of destabilization and avowed objectives of "regime change" that its Prime Minister has publicly admitted recently (enclosure IX). Eritrea has not chosen to focus on this low-intensity conflict because it would only eclipse the much graver breach of international law and occupation that Ethiopia is culpable of. Eritrea did, however, raise this aspect of the conflict to the Monitoring Group and indicated its willingness to submit detailed evidence. The Monitoring Group was reluctant to discuss or receive the evidence, claiming that this was not within its mandate.

33. From the foregoing, it is clear that Eritrea's regional policy has been squarely and firmly rooted in promoting a conducive environment of good neighbourliness and cooperation. As a small and young country, Eritrea's national interests do not lie in, and are not served by, a turbulent climate of perennial confrontation and brinkmanship. Eritrea does not harbour wild ambitions of regional dominance, hegemony or territorial aggrandizement as it has been historically the case with successive Ethiopian regimes. Nor has it ever espoused some crazy ideology that it craved to export to the region with messianic zeal. In the instances in which it was involved in unfortunate confrontations — big or small — with Ethiopia, Djibouti and Yemen, the new territorial claims and push to redraw the colonial boundaries did not emanate from Eritrea. Eritrea's consistent and proclaimed position is to uphold the sanctity of inherited colonial boundaries, principles which are enshrined in the African Union and other regional organizations to which Eritrea is a party. In all these cases too, Eritrea has from the outset argued for the supremacy of international law and for resorting to arbitral instruments, consistent with Articles 33 and 95 of the Charter of the United Nations, as the preferred mechanism of solution. Furthermore, Eritrea has faithfully and strictly adhered to the awards rendered by these bodies, irrespective of its gain or loss in the outcome. This was not only the case with the arbitration decision on the Hanish Islands. Eritrea also accepted the decision of the Eritrea-Ethiopia Claims Commission (enclosure X), although it had compelling reasons to believe that the Commission exceeded its mandate to rule on the *jus ad bellum* dimension of the conflict, which was assigned to the Organization of African Unity by article 3 of the Algiers Agreement (enclosure XI).

34. But, intoxicated as it apparently was by an obsessive desire to portray Eritrea in the most negative light, the Monitoring Group falls into the same trap when it describes Eritrea's foreign policy. Thus it claims: "Eritrea's relations with its neighbours, since gaining independence, have been turbulent. In the process of defining the new State's borders [sic], the country has clashed with three of its neighbours — Ethiopia, Yemen and Djibouti — and maintained a complex, and somewhat ambiguous relationship with the Sudan." It further states that in the course of the current mandate, the Monitoring Group obtained evidence of Eritrean support for armed opposition groups throughout the region, including Djibouti, Ethiopia, Somalia and the Sudan.

35. Although Eritrea's modest initiatives to contribute to a lasting solution to the Somali crisis date back to the early 1990s, the Monitoring Group distorts Eritrea's legitimate role in Somalia as rooted in, and a simple extension of, its proxy war with Ethiopia. In addition to the myriad accusations it has levelled against Eritrea, which we shall address in greater detail in the second section, the Monitoring Group falsely asserts that "there is no evidence to suggest that Eritrea, either in terms of unilateral initiative or through participation in multilateral political forums, is

employing its privileged [sic] relationship with Al-Shabaab or other opposition groups for the purposes of dialogue or reconciliation" (para. 259).

36. In the Sudan, Eritrea's long and constructive engagement is misconstrued, with the Monitoring Group insinuating, without credible basis, recent Eritrean "subversive activities to undermine the new State of South Sudan". It relies on obscure Sudan People's Liberation Movement political figures and numerous Eritrean sources to cast aspersions on Eritrea's underlying motives and speculate, on the basis of innuendos: "the principal reason behind this new tension [sic] has been Eritrean alleged concern that a smooth transition to independence of Southern Sudan might lead to closer relations between Khartoum and a number of Western Governments. Some SPLM officials also ascribe the growing friction in their relationship with Asmara to the close cooperation between the Southern Sudan leadership and Ethiopia."

37. The Monitoring Group's freewheeling slander continues without let-up in other sections of the report too. In a sinister desire to evoke a subliminal correlation with the present realities in Libya, it insults the Government of Eritrea and asserts: "The Libyan Arab Jamahiriya has also long been a patron of the Eritrean leadership, contributing both direct financial support and in-kind contributions including, allegedly, petroleum products." Eritrea's position on development assistance is well known to merit elaboration here. But one wonders what the threshold of the Monitoring Group is for a donor State to become a patron of the receiving State. We are curious indeed to know who would be, by its standards, the patrons of Ethiopia (for instance), which gets billions of dollars in development assistance annually.

38. The Monitoring Group also tries to associate Eritrea with presumed military ambitions of Iran in the area. It thus claims: "... the Monitoring Group has obtained multiple, credible reports of military cooperation between Eritrea and the Islamic Republic of Iran in 2009 ... the Monitoring Group believes that the [Sanctions] Committee, with the assistance of the Monitoring Group, should continue to monitor this relationship closely" (para. 338). Security Council resolution 1907 (2009) was adopted on 23 December 2009. Hence, besides being factually incorrect, the reference in question covers events that occurred prior to the United Nations sanctions on arms embargo. And as Eritrea had every right to establish military ties with any other State, the singling out of Iran is intentional and smacks of ulterior motives.

39. Indeed, in this and the other cases that it compulsively expounds, it is evident that the Monitoring Group's intentions are to depict Eritrea as a pariah State. In most of its descriptions and interpretations of Eritrea's foreign policy, one gets the uneasy feeling of reading almost literally the same words, the same script expounded in the foreign propaganda bulletins of the Ethiopian regime and other avowed detractors of Eritrea. It is sad and unfortunate that the Monitoring Group has failed utterly to recognize the multifaceted dimensions and complexity of the environment it was entrusted to investigate to end up as an unwitting mouthpiece of those who have long harboured ill will against Eritrea and whose objective is, in the words of Jendai Frazer, the former US Assistant Secretary for Africa, to pin down and punish Eritrea, and who enunciated them long before the recent mayhem in Somalia was exploited.

III. Eritrea's economic, financial, and monetary policies

40. The economic, financial and monetary allegations made by the Monitoring Group are regrettably based on hearsay, innuendos, fabrications and circumstantial evidence at best, much of which does not even merit a response, as this would be tantamount to giving them credibility and undeserved legitimacy. Through these allegations, the report attempts to delegitimize and criminalize Eritrea's legitimate financial and monetary transactions in order to justify the unjust measures taken by the Security Council against Eritrea. It also intends to set the stage for possible further restrictions that might be contemplated by the sponsors of the sanction against the people and Government of Eritrea. As indicated previously, the detailed response to the major allegations will be given in the second section of this document. In this chapter, the Government of Eritrea will broadly underline the legitimacy and genuine purpose of the economic, financial and monetary transactions that it has undertaken and continues to undertake as a sovereign Government and State to achieve its political and economic objectives.

41. At the outset, it is important to reiterate, for the record, Eritrea's well-known and uncompromising stance against terrorism, extremism and all forms of illicit and corrupt financial practices. Eritrea believes and is committed to conducting legal and transparent financial transactions. Furthermore, contrary to the allegations of the Monitoring Group, the Eritrean Government does not tolerate human smuggling or trafficking. Citizens caught in the act are made accountable and punished to the maximum extent of the law. For the Monitoring Group to suggest that the Government of Eritrea encourages human trafficking in order to mobilize resources, when in fact Eritrea's development strategy is predicated on the enhancement of human resources is, therefore, ridiculous and preposterous. A Government and people, such as Eritrea's, so focused on achieving their national development aspirations and goals, hardly fit the caricature of a political and social order obsessed with supporting and promoting terrorism. In fact, as indicated above, Eritrea has a solid record of fighting terrorism both at home and in the region at large.

42. For the record, Eritrea's development strategy and the role of its financial institutions and of the diaspora community are briefly summarized below.

A. Eritrea's development strategy

43. Eritrea strives to develop an open and dynamic economy anchored on the self-reliance and full participation of its people. Establishing a resilient economy based on a well-functioning public and private partnership where the latter is competitive and socially responsible is the ultimate goal of its economic development strategy. As during the long struggle for independence, the participation of the people, whether at home or in the diaspora, is considered critical. Accordingly, citizens are mobilized to contribute to, and eventually benefit from, an expedited achievement of this widely shared national goal. At the centre of this strategy is the maintenance of a predictable policy and regulatory framework that promotes regionally and sectorally balanced economic growth and efficiency. Eritrea's fiscal, monetary, foreign exchange, investment, trade, human and infrastructure development policies and investment programmes are formulated, designed and implemented to achieve this objective. The strategy also aims to generate rapid socio-economic

transformation with fiscal and monetary stability. Central to this development strategy and policy setting is Eritrea's drive to establish an effective public services delivery system with zero tolerance of corruption.

44. In the short 20 years since liberation, the Eritrean Government has consistently pursued this strategy and introduced policies and created institutions to help realize the aspirations of its people. It has invested heavily to provide vital social services, including health care, education, energy, clean water and sanitation. It has invested on strategic infrastructure, including ports, airports, roads and communication facilities that are preconditions for sustainable development and poverty eradication. As a result of all these, and contrary to the fabricated claims in the report of the Monitoring Group, Eritrea's economic recovery and growth performance have been satisfactory.

45. Notwithstanding the effects of the border war and protracted hostilities from Ethiopia, and in spite of intermittent droughts, especially during 1999-2004, the drive and momentum for socio-economic development have been maintained. Following liberation in 1991, investments in human resources development, strategic infrastructure and modernization of production capacities in various sectors of the economy continue unabated. As indicated in Eritrea's report on the Millennium Development Goals, investments to expand and deepen primary and secondary health care, as well as education, improving access to clean water and sanitation, urban and rural electrification, and ensuring food security have been reasonably successful. All these investments are undertaken with special focus on the full participation of women and minority communities in the process of national development.

46. Eritrea's policy direction and organizational set-up of key economic and social sectors aimed at human resources development, elimination of communicable diseases, food security and poverty eradication have begun to pay dividends. Total school enrolment grew to over 600,000 today from less than 200,000 in 1991. Eritrea is one of the few least developed countries that have been certified by the World Health Organization as a polio-free country. Malaria has for all practical purposes been eradicated. More than 75 per cent of the population now has access to clean water. Health services have been extended to even the most remote villages of the country. Power generation has increased from 30 MW in 1991 to over 130 MW today. Eritrea's comprehensive report on the Millennium Development Goals indicates that Eritrea is on track to achieve six of the eight Goals by the target date of 2015. Eritrea is only one of four countries in the African continent to achieve the Goals.

47. All of the above are not intended to deny the obvious and adverse effects of war, erratic rainfall patterns and high world energy and food prices on the performance of the economy and the welfare of our people. Indeed, these factors have had a significant impact in slowing down economic growth and in exasperating macroeconomic imbalances, including inflation. Ethiopia's war of aggression and the continuing "no-war no-peace" environment have had adverse effects on resource allocation and economic progress. Foreign exchange shortages triggered by and associated with rising world energy and food prices, in particular, have had serious negative consequences on the implementation of our investment programmes. To mitigate the effects of foreign exchange shortages on supplies of essential commodities and strategic investments, we have resorted to foreign exchange

controls and centralized procurement of imports. Alongside the Bank of Eritrea, an oversight committee has been established to oversee and ration foreign exchange allocation based on higher preference to prioritized import requirements. As well, the Red Sea Corporation is given the full mandate to procure public sector imports efficiently. With these arrangements, from 1998 to 2010, the period of war and protracted Ethiopian hostilities, Eritrea's overall economic performance was not as bad as alluded to in the report. Again, for the record, selected macroeconomic performance indicators for this period are summarized below:

- The growth of gross domestic product (GDP) averaged around 2 per cent, against 7-8 per cent during 1992-1997.
- Inflation ranged between 9 and 12 per cent, mainly propelled by energy and food prices and weaknesses in the national currency.
- The fiscal deficit increased from 8 to 19 per cent of GDP.

48. Given what Eritrea had to go through to defend its sovereignty and to sustain its development momentum using its own financial resources, its economic performance record has been good. This record is not something that should be slighted, as the Monitoring Group report does for its sinister purposes. Notwithstanding the relatively rapid increases in public debt and fiscal deficits, basic macroeconomic balances have been maintained. This has enabled investors to remain confident of the prospects of the economy and the soundness of the development policy framework and the strategy that have been pursued to guide economic activities in Eritrea.

B. Eritrea's economic prospects

49. Eritrea's economic growth prospects are becoming increasingly brighter. Its sound economic policy and regulatory framework and its strategic investments undertaken in key sectors to embark the economy on a path of sustained growth are starting to bear fruit. The fiscal and monetary restraints that have been pursued, especially since 2002, to create conditions that would stimulate growth, with macroeconomic imbalances, are taking effect. Most sectors of the economy are now on the verge of taking off on a significantly higher growth trajectory than was the case in the past 13 years.

50. During 2011-2015, to be on a higher growth path and sustain it, Eritrea shall concentrate on enhancing economic efficiency in the use of existing assets and investible resources. And to continue restoring macroeconomic balances, prudent fiscal and monetary measures shall be consistently pursued. Productivity-generating measures and new strategic investment where Eritrea has comparative advantages shall also be undertaken on a continuing basis. In particular, efficiency improvements that expand output in agriculture, fisheries, construction, mining, manufacturing and the basic services sector shall be vigorously pursued to generate growth.

51. Import substitution and export-oriented investment and management improvements in agriculture, fisheries and tourism, telecommunications, air transport and port handling services shall be accorded special attention in order to generate growth and needed foreign exchange earnings. The significant investments recently undertaken and currently under way in the mining sector are expected to

generate substantial mineral output and export earnings. In combination, these measures are expected to embark the economy on a vigorous, dynamic and sustainable growth path. Based on a three-pronged strategy of improving factor efficiency, implementing new quick-impacting strategic investments and continuing fiscal and monetary restraint, GDP growth of 7-10 per cent with stability is considered achievable.

C. Eritrea's financial system

52. Eritrea's financial system incorporates the Bank of Eritrea, the Commercial Bank of Eritrea, the Housing and Commerce Bank of Eritrea, the Development and Investment Bank of Eritrea, Himbol Exchange Services, the National Insurance Corporation of Eritrea and a few microcredit institutions. These institutions have been playing a critical role in promoting socio-economic development. The Bank of Eritrea, the central bank regulating the banking system, is headquartered in Asmara and has a branch office in Massawa. The Commercial Bank of Eritrea, the largest bank in the country, currently has 17 branches spread in different urban centres of the country. The Housing and Commerce Bank, headquartered in Asmara, has 10 branches in major cities. The Development and Investment Bank is located in Asmara and has three liaison offices outside of Asmara. By end 2010, the Eritrean financial sector had a staff of about 1,150.

53. The financial system's primary function is to mobilize savings and allocate them among competing users. Demand and savings deposits in the Eritrean banking system have been increasing steadily. Approximately 80 per cent of these savings are deposited with the Commercial Bank of Eritrea. Credits extended by the two commercial banks have also increased substantially. The Development and Investment Bank of Eritrea extended over ERN 600 million to support private sector development. Investment, production and consumption activities in agriculture, construction, commerce, mining, manufacturing and tourism have been benefiting from steadily improving financial intermediation. Since liberation, the accessibility, efficiency and reliability of financial services have improved steadily, improving prospects for faster economic growth and development.

54. Eritrea's experience with modern microfinancing is limited. There are currently a few microfinance schemes providing small credits to those who cannot access credit from the formal banking sector. The largest among them, the Government-owned Savings and Microcredit Programme (SMCP), is currently serving over 40,000 clients with individual and group loans that range between ERN 3,000 and ERN 40,000. Microcredit schemes have good potential to become effective financial intermediaries in the promotion of socio-economic development. At present, microcredit institutions are supervised by steering committees under the general oversight and guidance of sector ministries. That is, microfinance institutions are yet to be incorporated in the regulatory functions of the Bank of Eritrea or any other appropriate regulatory authority.

55. The National Insurance Corporation of Eritrea has a virtual monopoly of insurance business in the country. It is a share company divested by the Government in accordance with Proclamation 144/2004 and headquartered in Asmara, with several branches in other major cities. It provides risk protection in such areas as motor vehicles, fire and accident, marine, aviation and term life. In collaboration

with regional and international reinsurers, the Corporation provides protection in both local and foreign currencies within and outside Eritrea. It is an efficient and respected leader in the provision of risk management products and services to businesses within the country. It also has good potential to become a competitive and effective provider of risk management products and services in the Horn of Africa and the Common Market for Eastern and Southern Africa (COMESA) region.

56. In conclusion, and contrary to what has been insinuated in the report of the Monitoring Group, all banking activities and transfer of funds by the Eritrean financial system are governed and regulated by the Bank of Eritrea Proclamation (93/1997) and the Financial Institutions Proclamation (94/1997) and are legal and transparent.

D. Role of the Eritrean diaspora

57. Eritrea has a relatively large diaspora community in Africa, the Middle East, Europe, North America and Asia. This community, like Eritreans inside the country, has been an integral and important part of Eritrea's 30-year armed struggle for independence. Eritrea was denied support by most of the international community while being victimized by successive Ethiopian Governments that obtained alternating help from the then two superpowers. During those trying times, the Eritrean diaspora steadfastly stood with their homeland and its legitimate struggle and they were the voice of Eritrea abroad.

58. Since independence, the commitment of the Eritrean diaspora to their homeland has been no less significant. They are contributing to nation-building and the reconstruction and development of the economy through individual and group investments and the provision of needed professional and technical expertise. Both through their private capacity as citizens and in cooperation with the Government, the diaspora support with dedication orphans, victims of war and drought and their relatives through generous remittances. The report of the Monitoring Group, which misconstrues the noble efforts of the Eritrean diaspora as a source of finance for acts of terrorism, is an unfounded, unfair and deliberate misrepresentation of facts. On the contrary, Eritrea's self-reliant economic reconstruction and development strategy that is anchored on relentless efforts to mobilize its own resources for development deserves recognition for what it is. It is an unswerving commitment by the Government and the people to stand on their own feet rather than be subjected to the denigration that comes with aid dependency and its crippling conditionality.

59. Furthermore, the Monitoring Group would need to appreciate that the Eritrean diaspora's financial contributions that are aimed at strengthening Eritrea's political, economic and social development are voluntary. As already indicated, the practice has a long history, dating back to the early days of the armed struggle for national independence. In all regions where the Eritrean diaspora reside, their contributions to the national cause have always been voluntary, legal and legitimate. In the same vein, the legality and legitimacy of the 2 per cent "Mehwey Gibri" (Rehabilitation and Recovery Tax) that Eritrean citizens who reside abroad are required to pay to the Eritrean treasury cannot be at issue here. This modest provision, which was enacted in 1994 long before the recent, sinister attempts to misconstrue it as a source of terrorist funding, was essentially conceived in order to bolster the heavy social burden and safety net that the Government was shouldering as well as to

partially cover costs incurred in the provision of social, legal and consular services to them or their dependents. This practice is exercised by many other nations (enclosure XII) and should not in any way be construed as illegal, or of a sinister nature, as alluded to in the report. And for the record, contrary to the unsubstantiated claims of the Monitoring Group, the 2 per cent tax on the diaspora is collected through proper channels and deposited in the national treasury to finance Eritrea's reconstruction and development efforts.

IV. Eritrea's response to the specific accusations

60. This section will address all the major specific accusations contained in the report of the Monitoring Group. For purposes of simplicity, the response will follow the chronological order of the accusations in the report.

A. Support to armed groups involved in violence, destabilization or terrorist acts

61. In paragraph 258, the Monitoring Group alleges: "In the course of the current mandate, the Monitoring Group obtained firm evidence of Eritrean support for armed opposition groups throughout the region, including Djibouti, Ethiopia, Somalia and the Sudan." As we shall show in the following paragraphs, however, the Monitoring Group fails to produce solid evidence to support its claims. In fact, its claims are sometimes (for example, in the case of the Sudan) bewildering as it itself admits that the evidence is not strong enough to substantiate the allegations it makes.

62. In its discussions with the Monitoring Group, Eritrea not only provided the Monitoring Group with relevant information but also stressed the wider political and historical context that was necessary for a proper understanding of Eritrean policy and practice.

63. In regard to opposition movements in Ethiopia, it is common knowledge that in the period of armed struggle, the Eritrean People's Liberation Front (EPLF) had established strong ties of military and political cooperation with several Ethiopian armed opposition movements, including the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), which constitutes the current Government in Ethiopia. The political objectives and aspirations that underpinned and consolidated these ties were common ideals and aims of defeating the oppressive regimes in Addis Ababa to usher in a new chapter of regional harmony and cooperation. EPLF was not only pivotal in forging these broad alliances but also catalytic in the power-sharing formulas that were agreed in Addis Ababa on 7 June 1991, during the historic conference for the establishment of the Transitional Federal Government of Ethiopia, which brought together EPRDF, OLF, the Ogaden National Liberation Front (ONLF) and other groups cited in the report.

64. But while EPLF and the new Government of Eritrea ceased all these military ties with all opposition movements in Ethiopia who were inside or outside the coalition Government after 1991 — even when there was a falling out between EPRDF and OLF in 1994 and armed clashes erupted between them — EPRDF continued to give safe haven and training to small Eritrean splinter groups during

those years of robust amicable ties of friendship between the two Governments and political movements. In those days, Eritrea repeatedly made clear to, and pleaded with, the authorities in Addis Ababa that it saw no useful purpose in igniting and sustaining low-intensity conflicts between the two countries.

65. After declaring war against Eritrea in 1998, the Ethiopian regime began to pursue this policy with redoubled vigour and by funnelling greater resources. In a futile attempt to dismember Eritrea, it created the Kunama Liberation Front and the Eritrean Red Sea Afar movements. It soon began to provide military, political, financial and diplomatic support to more than a dozen Eritrean subversive groups, including the fundamentalist jihad outfits. The litany of terrorist activities perpetrated by these groups include, among others, terrorist attacks in Barentu during the independence celebrations in 2004 that claimed three lives while causing heavy injuries to 50 others; and assaults on Canadian and Chinese mining companies in 2003 and on 8 March 2010, respectively (enclosure XXI).

66. As mentioned earlier, Eritrea had offered to discuss these matters in greater depth during the January 2011 visit of the Monitoring Group. The latter declined on the grounds that this was not within their mandate.

67. This is the backdrop of the low-intensity conflicts that were principally precipitated by Ethiopia and that unfortunately permeate the relationship between both countries. These low-intensity conflicts serve no useful purpose but will not likely be extinguished until and unless the larger and much graver breaches by Ethiopia of international law are redressed.

68. Ignoring this salient reality and with the purpose of implicating Eritrea in terrorism, the Monitoring Group decided to resort to a sensational accusation that Eritrea allegedly plotted to bomb Addis Ababa during the African Union summit in January 2011. As this is the centrepiece of the Monitoring Group's (and Ethiopia's) accusations that Eritrea is engaged in terrorist plots and acts of regional destabilization, debunking it should lay the Monitoring Group's allegations to rest.

69. The Monitoring Group claims that "although ostensibly an OLF operation", the alleged plot was conceived, planned and directed by the Eritrean National Security Agency. It concludes that the "operation was effectively an Eritrean intelligence activity, falsely flagged as an OLF initiative". The operation is described in a dramatic thriller fashion over several pages of confusing and contradictory narrative, one full of holes. The following exposé shows that the Monitoring Group's accusation of Eritrea is utterly unfounded. As to the alleged role of the OLF, the organization can speak for itself.

70. To begin with, the source for the information and "evidence" that underpin the accusation are highly suspect and not credible. The Monitoring Group admits that its only sources for an allegation of this magnitude and import are Ethiopian security authorities and alleged perpetrators detained by Ethiopian security. It is obvious that an Ethiopian Government that is hostile to Eritrea and actively campaigning for additional sanctions has the desire and the means to tamper with, embellish, distort and even fabricate pieces of evidence. It is also clear that any testimony by detainees in the hands of a Government that is well known for routinely resorting to torture cannot contradict the official Ethiopian Government version, as this would lead to severe consequences for the detainees.

71. The Monitoring Group's decision to accept wholesale the claims presented by Ethiopian authorities and their detainees is all the more inexplicable, given Ethiopia's well-known track record of falsely and deliberately blaming Eritrea and Ethiopian opposition groups for actual, as well as fictitious, bombings in the country. To cite only one example, a document released by WikiLeaks reveals that the United States Embassy in Addis Ababa believed that a series of explosions in Addis Ababa that were heard on 16 September 2006 and which the Ethiopian Government reported were "part of a coordinated terror attack by the OLF and Sha'abiya (Eritrea) aimed at disrupting democratic development" may have in fact been the work of Government of Ethiopia security forces. Ethiopian authorities may impute different reasons for fabricated attacks against them — "disrupting democratic development" or "disrupting an African Union summit" — but the pattern of lying and deception is clear.

72. It is not only the source for the allegations made by the Monitoring Group — Ethiopian intelligence officers that have been repeatedly caught red-handed — that is not credible. Its key "facts" are plain wrong. In its zeal to insinuate that the Addis Ababa bomb plot was masterminded and directed by Eritrean intelligence, the Group states that an Eritrean intelligence officer, Colonel Gemachew Ayana, played a key role in the alleged plot. Unfortunately for the Monitoring Group, Colonel Gemachew is an Ethiopian citizen and was a member of the Ethiopian Defence Forces (enclosure XIII). He was commander of a mechanized division of the Ethiopian army until 2003, when he was accused, like dozens of other Oromo military officers, of clandestine involvement with the opposition Oromo Liberation Front (OLF) and relieved of his post. Some three years later he joined OLF. Given that these are easily verifiable facts, it is puzzling why the Monitoring Group claimed in its report that he is an Eritrean officer in external intelligence (see S/2011/433, annexes).

73. It is not only in the identity of the person that it alleges is the key actor that the report is mistaken. Its central claim that Eritrean officers played the leading role in the plot is plain wrong and contradicted by its own narrative.

74. The Monitoring Group alleges that only one OLF detainee, the team leader Omar Idriss Mohamed, appears to have been in regular contact with the OLF leadership. All other team members were isolated from OLF structures from the moment of recruitment and received training and orders directly from Eritrean officers. It adds that according to Omar (the team leader), only OLF Chairman Dawud Ibsa was aware of the existence of the special operation and its objective but does not appear to have exercised any command or control over its actions. Without lending any credence to the allegations, the mere fact that in the Monitoring Group's own admission the team leader was in regular contact with the OLF Chairman is inconsistent with the claim that this was merely an Eritrean operation "flagged" in the name of OLF. By the time one finishes reading the narrative, it becomes inescapable that if the Monitoring Group's allegations are in fact true — and again, we do not believe that they are — it is OLF officials who allegedly played the key role.

75. This is what the narrative says. Back in 2008, an OLF associate in Kenya put the leader of team 1, Fekadu, in contact with an Eritrean Colonel named Gemachew Ayana. (As previously stated, Gemachew is in fact an OLF official and not an Eritrean.) Gemachew also approached Omar Idriss Mohamed, the overall OLF team

leader, who says that he was contacted in August-September 2009 by OLF Chairman Dawud Ibsa and informed that he would be given a secret assignment. In March 2010 Gemachew instructed Fekadu and his team to return to Addis Ababa. Fekadu remained in contact with Gemachew, with phone records indicating at least 27 conversations. Gemachew also arranged for money transfers to team members in Addis Ababa. According to Omar, it was Gemachew who gave team members the equipment and explosives that would be used in the operation. Again Gemachew provided final instructions and explosives. In early January Omar requested additional funds from Gemachew. In the last week of January, with time running out, Omar felt the need to consult with Gemachew; phone records appear to indicate that they made contact a total of 39 times, mainly initiated by Gemachew. There is some mention of Eritreans in the narrative, but in a limited and secondary role, again based on suspect testimony from detainees. Thus, even if we allow that the narrative is in fact true — and Eritrea believes that it is not — it is abundantly clear that the alleged attempt was, from start to finish, an OLF effort.

76. As much as it tried, the Monitoring Group could not find a smoking gun to prove an Eritrean role in the "bombing plot". Its report does not provide any evidence at all that the essential equipment, the explosives, that was going to be used in the alleged plot was sourced from Eritrea. The report does state that a sniper rifle which allegedly was found in the possession of one of the members of the team was sold to Eritrea by Romania as corroborated by the Romanian Government. It is true that Eritrea did buy weapons, including sniper rifles, from Romania, but even if we assume that the rifle in question is of Eritrean source, this still does not show conclusively when and how the rifle ended up in the hands of the Ethiopian Government. A single rifle — which can only be an incidental weapon in a bombing plot of several locations — of unproven provenance produced by a Government (Ethiopia) that in no way can be regarded as a credible and impartial source of information cannot be accepted as tangible, let alone inconvertible, evidence of Eritrea's masterminding of this alleged operation.

77. There are other major problems with the narrative, which reveal that the Monitoring Group did not even bother to counter-check the information that it was fed by the Ethiopian Government and the detainees in its hands. It states categorically that the operation did not target African leaders but then claims that one of the targets was the Sheraton Hotel, where most of the leaders were staying. The Monitoring Group bases much of its claims on an OLF contact list in Asmara but then admits that this key piece of evidence is an outdated one from 2006. Realizing that it is on untenable grounds, it flimsily tries to justify the validity of the tenuous argument by claiming that unnamed former OLF members (defectors) told it that the list was currently valid, forgetting that the testimony of defectors, now collaborating with the Ethiopian Government, cannot be regarded as credible.

78. This account belies the claim that the alleged Addis Ababa operation was conceived, planned and directed by Eritrea. It also shows that there is no incontrovertible evidence of Eritrean involvement, even the limited role that remains once we take into account that the alleged key actors, those who allegedly had the command and control, were non-Eritreans. We can only draw the conclusion that, given the absence of any evidence of Eritrean culpability with regard to Somalia and Djibouti, the Monitoring Group had to resort to this sensationalized accusation to press its case for additional measures against Eritrea. This reminds us of an earlier accusation by the Monitoring Group that Eritrea had 2,000 soldiers in

Somalia, with detailed information on "when and how they arrived and where and in what numbers they were deployed". That "showpiece" of an earlier report, which proved to have been totally groundless, was used at the time to build a case for sanctions against Eritrea.

79. Regarding Djibouti, although the report presents two allegations of what it calls Eritrean support of limited scale, its sources are dubious to say the least. A former Front pour la restauration de l'unité et de la démocratie (FRUD) commander, detained by the Djibouti Government, can hardly be expected to be a credible source. Although the detainee claimed, according to the report, that Eritrea provided food, medicines and treatment for wounded fighters, he denied receiving any weaponry or military equipment. He said that FRUD uniforms, arms and ammunition were purchased from Yemen. This contradicts claims by Djibouti authorities that the detainee admitted that Eritrea had provided arms. In addition, this allegation of the Monitoring Group relates to the period prior to December 2009, as the latest claim of any Eritrean involvement was October 2009.

80. There is only one other allegation in the report, which claims that in February 2011, the Djibouti military seized 50 kg of explosives hidden in a cave. The Monitoring Group said the explosives were of Soviet-era manufacture, and that it "has been unable to trace their place of origin or chain of custody". Since there was no allegation of any Eritrean involvement, why mention this under Eritrea's alleged violations?

81. It is therefore clear that by the Monitoring Group's own admission, there is no evidence of Eritrean violation of resolution 1907 (2009) in regard to Djibouti.

82. Concerning Somalia, given that the allegations of Eritrea's military support to Al-Shabaab have been the central concern of the Security Council and the main impetus behind the imposition of sanctions under resolution 1907 (2009), it is remarkable that the Monitoring Group report confirms that Eritrea is not in violation of the resolution in regard to military support to Al-Shabaab or any armed group in Somalia. The report mentions claims from unidentified sources of Eritrean arms shipments to Kismayo (in fact Ethiopia had publicly made those accusations), but states categorically that it could not independently verify the reports.

83. Regarding financial support, the Monitoring Group states that it has documentary evidence of Eritrean payments to individuals linked to Al-Shabaab but admits that these relate only to 2008, a year before the cut-off date of December 2009. It mentions "allegations" that financing continues, one source claiming to the tune of $80,000 per month, but it does not present a shred of evidence.

84. As to the Sudan, the Monitoring Group report again acknowledges that it is not possible to conclude that Eritrea has provided direct military assistance to groups engaged in the destabilization of South Sudan in violation of resolution 1907 (2009).

B. Violations of the arms embargo

85. The Monitoring Group claims that it has received "credible, independent reports indicating that Eritrea has continued to procure arms and receive technical assistance since the imposition of Security Council resolution 1907 (2009)". It acknowledges, however, that it does not have evidence "beyond reasonable doubt".

Moreover, it admits that it has not been able to determine whether any government is directly involved in any deliberate violation of the arms embargo in regard to Eritrea. Even though the Monitoring Group's own admission of the lack of incontrovertible evidence is enough to prove that Eritrea cannot be considered in violation of the resolution, it is still useful to consider the circumstantial evidence in order to show that it is more flimsy than credible.

86. The maritime shipment that was allegedly unloaded in the Eritrean port city of Massawa on 19 November 2010 is a false conjecture that does not square with the facts. The Monitoring Group says that sources claim that the consignment comprised "99 12.7-mm heavy machine guns, 12 60-mm mortars, 36 82-mm mortars, 48 anti-tank wire-guided missiles and 29 sniper rifles", and continues, "According to the same source, the coordinator of this operation was Admiral Humed Karekare, the chief of naval staff of the Eritrean Defence Force".

87. In the first place, the chief of the Eritrean Naval Forces would not be involved in the unloading of military consignments and merchandise. Furthermore, this accusation emanates from an "active Eritrean Defence Force contact on 24 November 2010 through a former Eritrean military general and Eritrean military commando". As we emphasized in the introduction, this source, a former general, whose identity Eritrea can easily presume, one who is involved in subversive activities against Eritrea and who is collaborating with Ethiopia, has every incentive to disseminate all sorts of lies and disinformation against Eritrea. This was, after all, the same general who originally spread the false information of the establishment of an Iranian naval base in Eritrea. The websites of these subversive groups churn out, almost daily, preposterous news about Eritrea. This information is thus part and parcel of the smear campaign conducted by the subversive groups. It is sad but inept for the Monitoring Group to gullibly dance to its tune.

88. The Monitoring Group further asserts: "The Government of Eritrea did not fully respond to the Monitoring Group's request for details of all vessels docked at or anchored off the coast of Massawa between 18 and 22 November 2010". This is patently false. The Government of Eritrea has fully cooperated with the Monitoring Group and all specific requests submitted were faithfully provided. What Eritrea found objectionable was the Monitoring Group's blanket request for log data on all shipments to Massawa for an unspecified time. Eritrea tried to make the ground rules clear from the outset and to draw a line between legitimate requests tied to specific accusations with what appeared as an arbitrary and intrusive right that the Monitoring Group wanted to exercise in violation of the country's sovereign prerogatives.

89. The Monitoring Group alludes to a second vessel (registered in the Syrian Arab Republic) which, inferring from signals data, "was 16.8 nautical miles off the coast of Massawa at 0824 hrs on 19 November 2010. The ship was also sighted at Massawa on 19 November 2010. The next signal available was 57.4 nautical miles off the port of Assab at 0716 hrs on 20 November. The Monitoring Group has attempted to make further inquiries but has received poor cooperation from Member States." Here again, the Government of Eritrea has faithfully provided to the Monitoring Group the details of the ship that unloaded its cargo in Massawa on 18 November 2010. No other vessel docked in Massawa in that period and any other report that the Monitoring Group may have received but could not verify due to

"poor cooperation from Member States" cannot be used to tarnish Eritrea's credibility.

90. The Monitoring Group refers to a third vessel, the MV *Ryu Gyong*, belonging to the Korea Sinhung Shipping Company, which it admits has nothing to do with the arms embargo. It states that the cargo of this vessel, which originated from Pakistan and was discharged in Mogadiscio, was loaded with fairly innocuous consumables like cement and rice. One cannot help but wonder what a vessel that originated in Pakistan and unloaded its cement and rice in Mogadiscio [sic] has to do with Eritrea and the arms embargo. But simply because the vessel is associated with a North Korean company, the Monitoring Group in characteristic form resorts to malicious speculation to state: "while the Monitoring Group does not have specific evidence that the movements of this vessel were linked to a violation of the sanctions regime, it considers them to be of a suspicious nature and to merit further monitoring".

91. Eritrea has responded to these accusations because they are false and grounded, like the other "evidence", on "testimonies" provided by untrustworthy sources. It does not, otherwise, accept the arms embargo stipulated in resolution 1907 (2009), as it contravenes Article 51 of the Charter of the United Nations on the right of self-defence of any sovereign Member State under conditions of aggression and occupation.

92. The Monitoring Group's description of the sordid affair in which the United Kingdom-based Sea Scorpion was involved amplifies its biased approach. The Sea Scorpion, which has opaque affiliations with foreign intelligence services, was engaged in a criminal activity in Eritrea. It violated Eritrea's sovereignty by entering its territorial waters illegally to hide a cache of arms in the islands and to engage in sinister military rehearsals for the possible conduct of some pernicious military operation. These details were duly made public after the necessary investigation. And yet, the Monitoring Group, while admitting the affair had nothing to do with the arms embargo, devotes several lines to the issue, giving the impression to the non-careful reader that it is somehow linked to Eritrean violations.

93. The Monitoring Group asserts that it "has obtained multiple, credible reports of military cooperation between Eritrea and the Islamic Republic of Iran in 2009". As stated earlier, why the Monitoring Group has singled out Iran, when Eritrea had military cooperation with a number of countries, including members of the Security Council, is not difficult to imagine. In purely legal terms, Eritrea has every right to establish military cooperation with any sovereign country of its choice and any defence agreement with Iran effected prior to resolution 1907 (2009) should not fall under the mandate of the Monitoring Group. But for reasons unknown to Eritrea, a false propaganda campaign was sparked in 2008 alleging that Iran had established a new naval base in the Eritrean port of Assab. Eritrea had given a full and clear response to this unfounded allegation (enclosure XIV). Yet, the Monitoring Group repeats variants of this smear campaign on the basis of sheer hearsay, in order to portray Eritrea in a negative light.

94. In another effort at creating a totally false picture, the Monitoring Group alleges that maintenance work on Eritrean military aircraft was undertaken abroad, in Russia, Ukraine and Switzerland, in violation of the arms embargo, and includes "photographs" of these aircraft under renovation. The caption on one group of photos of Sukhoi fighters in Ukraine states that the date is unknown, which begs the question why it was included as evidence in the first place if there was no

information showing that it was in fact after resolution 1907 (2009). The Monitoring Group also downloaded pictures of Eritrean Mig29 fighter aircraft in Krasnoda, the Russian Federation, that were "posted" in a Russian website in February 2010, without bothering to ask whether these pictures were not posted earlier. In fact, the pictures are from at least a decade back and for the Monitoring Group to include the allegations, without making the effort to ascertain the facts, is reprehensible indeed. There are also pictures of an Eritrean Pilateus civilian aircraft photographed in Switzerland, which the Monitoring Group again presents as evidence of violations by Eritrea and other concerned countries, by disingenuously failing to state that it is in fact a civilian aircraft.

C. Export of ammunition and arms

95. In paragraph 357, the report states that the Monitoring Group has established that senior Government officials are also involved in arms trafficking through the Sudan and Egypt, and has obtained independent eyewitness testimonies, as well as intelligence reports, of several such incidents taking place between 2008 and 2011. It also states that this highly profitable, smuggling operation is overseen by General Teklay Kifle, Commander of the western military zone. His principal Sudanese counterpart in this cross-border activity is Mabrouk Mubarak Salim, the current Minister of Transport of the Sudan, who is also a wealthy merchant and former leader of the now defunct "Free Lions" rebel group that once formed part of the Sudanese "Eastern Front" opposition alliance supported by Eritrea. Salim, an ethnic Rashaida, works closely with other well-established Rashaida smugglers, who operate with the full knowledge of Government officials on both sides of the border.

96. This scurrilous accusation that so casually vilifies both the Sudan and Eritrea highlights the shoddy approach and poor standards of the Monitoring Group in its investigative work. The accusation goes further to implicate unnamed, presumably more senior, Government "officials on both sides of the border", although we are not told who these officials are and what is the evidence that proves their guilt. Apart from misleading sources, this story reflects poor knowledge or total ignorance of the way of life of some ethnic groups that straddle several neighbouring countries. In this regard, the Rashaida, a very small minority group in Eritrea, also inhabit the coastal areas in the Sudan and Egypt. They are traditionally traders and in recent times, some of them have been involved in illegal trade as well as human trafficking. These are illicit activities that are not sanctioned but, on the contrary, firmly prosecuted by all the Governments in the region. Within this broad context of some of their illicit trade activities, there may have been instances of arms trafficking. But this has not involved Eritrean Government officials at any level whatsoever. The Monitoring Group's baseless allegation that the Government of Eritrea compensated families of this Rashaida group is ridiculous indeed. Those directly responsible for these crimes, and/or families who might have been accessories to the crimes, would have been prosecuted and punished, not given "compensation" as the Monitoring Group foolishly claims on the basis of "testimonies" from criminal circles.

D. Businesses and financial operations of the People's Front for Democracy and Justice

97. The Monitoring Group presents a muddled picture of PFDJ business structures and financial operations, although it was granted ample time and access to properly conduct its enquiries. These are the facts as far as the origin, legality, scope of activities and accountability mechanisms of PFDJ financial operations are concerned.

98. The Hidri Trust — which is the holding company of all PFDJ business enterprises — was duly established in the third Congress of the Front in 1994 to promote explicit social objectives. These were essentially the provision of social safety nets to the families of martyrs in the 30-year armed struggle for national liberation and to those maimed and injured by war, as well as the promotion of additional developmental work in deprived areas and underprivileged segments of the population. True, these objectives were also, and remain, priority tasks for the Government of Eritrea as a whole. But in view of the enormity of the task, the additional mechanism was conceived in order to provide a supplemental cushion and mitigate the prevalent challenge.

99. The companies established under the Hidri Trust are local enterprises — duly registered as private businesses. They do not enjoy preferential treatment of any kind, and their business activities are regulated by, and subject to, the rigorous provisions of the Commercial and Investment Codes of the country.

100. As stated above, most of these companies are local enterprises that cater to domestic needs. They do not have subsidiaries abroad and do not earn significant revenues from exports.

101. Himbol has a business licence (enclosure XV), issued in accordance with the Banking Proclamation of 1997, to provide financial services, mainly transfer of remittances, to Eritrean citizens in the country and in the diaspora. Other banks in the country and notably the Commercial Bank of Eritrea — which is by far the largest bank in the country — have the same licences and are all strictly regulated and supervised by the National Bank of Eritrea as far as exchange rates and the implementation of other monetary policies are concerned.

102. The transfer of money is conducted through normative, transparent procedures. Indeed, as illustrated in enclosure XVI, Himbol has contractual agreements with around 10 international banks based in the United States, the United Kingdom, Saudi Arabia and the United Arab Emirates among others. The Red Sea Trading Corporation is, again, a duly registered company (enclosure XVII) whose business activities include: (a) general trading, including the import and export of goods; (b) wholesale and retail business; (c) act as a commission agent and representative of manufacturers; (d) participate in local and international tender (Memorandum and Articles of Association). The central business rationale for the Red Sea Corporation when it was established in the mid-1990s was a certain degree of market stabilization of vital commodities. This was done mainly by focusing its import activities on selected basic commodities, first and foremost grains and other essential food items, and selling them at low prices by keeping profit margins to an absolute minimum. Many private sector Eritrean businesses were also active in the trade sector and successfully competed with the Red Sea Corporation.

103. In the latter half of the past decade when, because of the 1998-2000 war, the Ministry of Trade and Industry prohibited *franco valuta* imports and the Government introduced stringent regulations on foreign currency transactions, the Red Sea Corporation was selected, for economies of scale reasons, as the procurement agent for the Government for basic consumable goods. In all these transactions, Red Sea's profit margins were made to be the lowest, by contractual agreement with the Ministry of Finance, which regulated and determined the pricing issues. The Red Sea Corporation was never involved in military or most of the heavy machinery purchases of the Government.

104. While these are the facts, the Monitoring Group concocts an imaginary picture on the basis of "interviews with Eritrean businessmen who operate in Eritrea". It thus concludes: "Essentially, Eritrea manages two parallel economies: a formal economic sphere ostensibly managed by the State, and an opaque, largely offshore financial system controlled by elements in the ruling party and their supporters.... The informal PFDJ-controlled economy ... involves a much higher proportion of hard currency transactions than the formal economy and is managed almost entirely offshore through a labyrinthine multinational network of companies, individuals and bank accounts, many of which do not declare any affiliation to PFDJ or the Eritrean State, and routinely engage in 'grey' or illicit activities. Although it is impossible to obtain reliable figures about the size of this informal economy, it is apparently more than sufficient to enable the kinds of external operations described in the report."

105. It is rather foolhardy for the Monitoring Group to make such gross and slanderous statements without any shred of evidence. As described above, the PFDJ business activities are incorporated within the duly constituted Hidri Trust Fund. All the constituent companies have valid business licences, pay their taxes, operate with transparency and are regulated by the competent Ministries. These companies do not exceed a dozen and are pretty small in terms of the aggregate business enterprises in the country, whose number exceeds 60,000. They do not control one single productive sector and are not in fact involved in the most lucrative sectors of the economy (mining, fisheries, commercial agriculture, etc.). The profit margins of these companies are kept low because of the overriding business rationale of market stabilization that was decided at the EPLF Third Congress. The assertion that they are "managed almost entirely offshore through a labyrinthine multinational network of companies, individuals, and bank accounts" is purely a figment of the imagination of the Monitoring Group or its ill-informed sources. The second part of the assertion, which states that many of these companies and individuals do not declare any affiliation to PFDJ or the Eritrean State and routinely engage in grey or illicit activities, is simply too ridiculous to merit a response. If these people are not affiliated to PFDJ or the Eritrean State, then why is their purported crime attributed to both? Who are these people and companies anyway? Do they have names? Do they have addresses? If they operate abroad in grey areas or illicit activities, which are these countries and how do these people evade the law-enforcement agencies of these countries? We could go on and on ...

106. The Monitoring Group wallows in its wrong track to portray another false image of Hagos Gebrehiwot Maesho. Mr. Hagos is the Head of the PFDJ Economic Department elected in the Congress and principally the Chief Executive Officer of the Hidri Trust Fund. His last name is wrong and an exact replica of what appeared in the list of Eritrean senior officials that Ethiopia submitted to the United Nations for a travel ban last year. One presumes that most of the other misleading

information was also obtained from Ethiopia. As described in the first section, recovery tax collection falls under the purview of the Ministry of Finance, not, as the Monitoring Group wrongly asserts, under Mr. Hagos' Hidri Trust.

107. Foreign currency allocations to Government institutions or the private sector are not determined by Mr. Hagos. These are within the purview of the Bank of Eritrea and the Ministry of Finance for the public sector (as they are tied up with capital and recurrent budget allocations) and primarily with the Bank of Eritrea for the private sector. In accordance with standard Government practice during difficult times, however, the Government of Eritrea established a task force composed of the Minister of Finance, the Acting President of the National Bank, the Chief Executive Officer of the Commercial Bank and Mr. Hagos to determine the optimal allocation of hard currency in a situation of competing demands that exceeded supply. This was a stopgap measure that functioned from 2004 until 2008. Mr. Hagos was a member of the Committee, not the sole person authorized to make unilateral decisions. The Chairman of the Committee was also the Minister of Finance.

108. The Monitoring Group whitewashes the illegal seizure of money and other assets of the Eritrean Cultural Center by officials of the United States Homeland Security Department in Washington in 2004. This act was in flagrant breach of the Vienna Conventions on Diplomatic Immunities and Privileges. Eritrea protested to this act strongly at the time. The US State Department then verbally acknowledged that the measure was not appropriate but gave the flimsy excuse that the matter was within the jurisdiction of the Justice Department. The closure of the Oakland consulate in 2007 was not related to the episode above, although Eritrea sees no purpose into delving into matters of bilateral concern with the United States in this report. Mr. Hagos did not issue new instructions to "conceal the manner in which PFDJ financial transfers are managed", as the Monitoring Group asserts on the basis of hearsay and without any shred of evidence.

109. The Monitoring Group goes further to implicate, in what appears like a malicious witch-hunt, a number of ordinary, law-abiding, Eritrean citizens in various countries who own retail shops, small restaurants, and even those who work as taxi drivers, and recklessly dub them as economic "agents" of the PFDJ involved in the opaque and illicit transfer of funds and money-laundering. Eritrea hopes that these citizens will have access to competent courts to open libel suits against the Monitoring Group. Most of them may have political affiliations with PFDJ, which is their right, and this surely cannot be misconstrued as an offence by any standards. The small retail shop or taxi some of them own are certainly not PFDJ "enterprises". Just to highlight the ludicrousness of the report, we shall describe the true identities of the following persons: (a) Haile Zerom is an ordinary citizen living in Milan. He was elected to the National Assembly in the few posts allocated to the diaspora. He is not an agent of PFDJ as the report claims; (b) Tsehaie Tukui is another ordinary, law-abiding citizen resident in Italy since the early 1970s. He owns an Eritrean restaurant with five other Eritrean partners. They also own a small hotel in Asmara; (c) Tesfai Bairies is, again, another law-abiding Eritrean citizen who owns a gas station in Virginia; (d) Mrs. Martha owns a real estate office in Chicago. We could go on and on, but it would be a waste of time.

110. The Monitoring Group states, on the basis of sheer innuendos, "PFDJ financial networks in Italy are apparently closely linked to party cells in Switzerland. According to the same sources, a number of Italy-based PFDJ agents travel

regularly to Switzerland, where similar businesses operate on behalf of PFDJ." The Monitoring Group adds that it has seen photos of these alleged agents. One wonders what a photo of an alleged agent looks like. Do they wear special hats, don peculiar suits or carry telltale suitcases or other spook paraphernalia that betrays their identity to the connoisseur? It is incredible how the Monitoring Group swallows in toto even the most absurd stories concocted by these shadowy sources. Perhaps in this particular case, it was blinded from seeing the obvious flaws in the silly story by its obsession to link PFDJ with some secret bank account in Switzerland! Whatever the case, this level of amateurish standard should be enough, in itself, to disqualify it from any investigative work.

E. Honorary councils and offshore business partners

111. The Monitoring Group wrongly and without a shred of evidence states: "Foreign businessmen, some of whom are appointed honorary consuls, play a key role in the PFDJ offshore financial networks. In several cases brought to the attention of the Monitoring Group, such individuals appear to be closely involved in military procurement and, in some cases, in criminal activity."

112. In the course of the last 20 years of independence, Eritrea has appointed a number of honorary consuls in several countries (full list in enclosure XVIII). This is a universal practice and takes effect only after going through standard diplomatic processes whereby the designated consul has to receive legal accreditation by the host country. In Eritrea, the following countries have honorary consuls in Asmara: Belgium, Canada, Japan, Sweden, Turkey, India, Austria, and Côte d'Ivoire.

113. The honorary consuls are appointed by, and are accountable to, the Ministry of Foreign Affairs. Their standard jobs include investment promotion, issuance of visas, etc. They are not appointed by, accountable to or agents of the PFDJ Economic Affairs Department.

114. The Monitoring Group crows a lot about the conviction of Pier Gianni Prosperini. First of all, Mr. Prosperini was not an honorary consul of Eritrea, but as a regional Minister of Culture in Lombardy, he vigorously promoted Italian investments and trade with Eritrea. In that capacity, Mr. Prosperini facilitated initial contacts with an Italian company for the purchase by Eritrea of eight fishing vessels. This occurred long before his incarceration in Italy for matters that Eritrea is not privy to (enclosure XIX). The Monitoring Group further states that he has also been involved in the smuggling of alleged dual-use equipment to the Islamic Republic of Iran and is under investigation for a similar case involving Eritrea. The latter conjecture is strange indeed. Even if he were involved in the procurement of dual-use equipment to Eritrea, this would not have been illegal then by any stretch of imagination. So what is the point? Is the Monitoring Group ignorant enough not to discern these differences with the case of Iran, which might have been under a European or Italian arms embargo? Or is this a deliberate but poor attempt to associate Eritrea with Iran for some dramatic effect?

115. One also fails to see the logic of this bizarre preoccupation with Eritrea's honorary consuls. Although it may sound hyperbolic, the impeachment of President Nixon does not, surely, mean that the American people should not elect Presidents. If Eritrea appoints an honorary consul when he has an excellent reputation and when this appointment is sanctioned by the receiving State of which he is a citizen, is

Eritrea responsible for any offence he commits later on his own account? And should Eritrea cease the time-honoured practice of appointing honorary consuls because 1 in 20 turned out to be a bad apple?

116. The Monitoring Group singles out Shakil Kashmirwala and Abdullahi Matraji for unfathomable reasons. As far as Mr. Shakil is concerned, the Monitoring Group states that in 2006 he "hosted a high-level delegation of Eritrean military officials to Pakistan, where he claimed to have visited munitions factories or ordnance establishments with them". What is wrong with these activities? The issue here is not whether this occurred or not factually. Was Eritrea barred in 2006 from buying arms from Pakistan? This is again another piece of nonsense whose aim is not difficult to decipher. As far as Mr. Matraji is concerned, the Monitoring Group states that his father was convicted for forging US dollars in 1997 and charged for trading in arms in 1995. Whatever the veracity of these claims, Mr. Matraji is not guilty for offences that may have been committed by his father. That is indeed why the Government of Lebanon granted him accreditation to serve as an honorary consul of Eritrea.

117. Mingled with the trivia on honorary consuls, the Monitoring Group impugns an Eritrean businessman, Asmerom Mekonen. The Monitoring Group wrongly describes Mr. Mekonen as a legal representative of the company and as a business partner of Colonel Woldu Ghereyesus Barya. In the first place, Mr. Asmerom is the owner of Piccini, an engineering and agricultural machinery-producing company that has markets worldwide, including in Eritrea. Colonel Woldu Ghereyesus (Barya is his nickname, not his last name) is the manager of a public Eritrean company and does not own a single share in Piccini. The Ministry of Agriculture and Government garages have bought several machinery from Piccini throughout the years. What is wrong with these business transactions? Why Mr. Asmerom has attracted the attention of the Monitoring Group is baffling indeed! The Monitoring Group adds, towards the end of paragraph 403, that it "has been reliably informed by a law enforcement source that one of Officine Piccini's shareholders is under investigation for money-laundering by the Swiss Police". One wonders what that has got to do with Mr. Asmerom. In any case, an ongoing investigation is not tantamount to proof of guilt beyond doubt. So even if the allusion is to Mr. Asmerom, what is the hurry and rationale for prejudging an investigation process that is presumably on the offing? This case again highlights the irrational obsession of the Monitoring Group to engage in a witch-hunt to find any dirt and link or attribute it somehow to Eritrea.

118. The Monitoring Group tries, rather ineptly, to establish a paper trail of illegal money transfers through individual accounts from "the United States, through Dubai and Nairobi, into the hands of armed opposition groups in Somalia and the Horn of Africa". The sources for this intricate scheme are unnamed law enforcement agents, an obscure businessman and a former PFDJ finance official. The flimsy evidence runs thus: "Law enforcement agents have confirmed that a taxi driver resident in Virginia is involved in the transfer of illicit funds to Dubai, but did not provide the name of the individual." The Monitoring Group then proceeds to list the names of a dozen individuals and sounds baffled as to why these people have accounts with the Standard Chartered Bank and Commercial Bank of Dubai! Then it drops the bombshell: ... "multiple Eritrean sources in Dubai and the United States have informed the Group that individuals and enterprises on this list are affiliated with PFDJ and may play a role in laundering its funds". This is purely libellous and merits prosecution in competent courts by the maligned individuals.

F. Contraband trade and human smuggling and trafficking

119. The Monitoring Group talks about a "multi-million dollar contraband trade between Eritrea and the Sudan". It further states: "The embassy of Eritrea in the Sudan plays a key role in this illicit trade." There are two simple issues here: (a) why would the Government of the Sudan tolerate an illicit, multi-million dollar trade coordinated by the Eritrean Ambassador? It would have long declared him persona non grata and/or officially protested to the Government of Eritrea. The Monitoring Group could have verified these facts easily; (b) trade relations that are based on COMESA, IGAD or Community of Sahel-Saharan States provisions and/or transit trade that may occur on the basis of supplemental bilateral agreements are not, and should not be, matters of concern to the Monitoring Group.

120. The Monitoring Group further claims, without any substantiation or with the usual reference to some obscure source, that "Eritrean intelligence is heavily involved in financial operations in Juba, southern Sudan, where PFDJ controls hotel businesses, water distribution and the insurance market in collusion with local partners. Juba is also a regular destination for several known Eritrean intelligence operatives." This is really sickening. The business activities cited are owned by individual Eritreans. The Eritrean Insurance Company has a joint venture, in which it is the minority owner, but as described before, it is not a PFDJ company. If Eritrean intelligence operatives regularly visit Juba, although that is not factually the case, or if they do so on the basis of some bilateral security arrangement between the two Governments, this is indeed not the mandate of the Monitoring Group.

121. The Monitoring Group's compulsive quest to find Eritrea culpable and degraded standards of proof are underscored by its outrageous assertions on human trafficking. The report states: "People smuggling is so pervasive that it could not be possible without the complicity of the Government and party officials, especially military officers working in the western border zone, which is headed by General Teklai Kifle "Manjus". Multiple sources have described to the Monitoring Group how Eritrean officials collaborate with ethnic Rashaida smugglers to move their human cargo through the Sudan into Egypt and beyond. This is in most respects the same network involved in smuggling weapons through to Sinai and into Gaza. ... An Eritrean directly involved in smuggling operations into Egypt explained to the Monitoring Group how family members are required to send the funds via money transfer agencies to Eritrean officials operating in the Eritrean embassy in Egypt, and in Israel, in order to secure the release of their relatives. ... senior Government and/or party officials linked to General Kifle's command profit from the practice. The Monitoring Group has obtained details of a Swiss bank account into which the proceeds from smuggling have been deposited and has provided the Swiss authorities with information related to this account, together with the personal and contact details of the Swiss-based coordinator of this trafficking ring and details of the coordinator's Egypt-based associates."

122. The Monitoring Group might have dug its own grave, rather unwittingly, with the last sentence. Because if there is no Swiss bank account, or if the account belongs to notorious criminals and fugitives from the law, then it would be evident indeed that the Monitoring Group has all along been pursuing a mirage.

123. Pending that outcome, let us examine the other facts. Firstly, almost all the evidence for its claims comes from interviews "with Eritrean individuals involved in people smuggling operations". Eritrea requests details of these individuals for legal prosecution because they are involved in serious crimes. Eritrea finds the unfounded invective against General Tekle and other unnamed senior party and Government officials offensive and unpardonable. The conduct of the Monitoring Group to gratuitously slander senior Government officials with impunity should not be tolerated.

124. Secondly, Eritrea's vehement opposition to human trafficking, which has at times involved personnel of the Office of the United Nations High Commissioner for Refugees (UNHCR) and a certain State, is a matter of record indeed. Eritrea recognizes the push and pull factors that contribute to migration even during normal times. People naturally migrate to seek greener pastures. But there are other reasons for the increment of illegal migration in the past five or six years in Eritrea. In 2004, UNHCR in collaboration with some countries organized, without the knowledge and consent of the Eritrean Government, the wholesale migration of communities belonging to the Kunama language group. The Government of Eritrea opposed these machinations and ultimately succeeded to stop it, although hundreds of families were smuggled out in the early months (enclosure XX). As disclosed in WikiLeaks documents, special permits were issued to Eritrean college students who would then pick up their visas in the Sudan or other neighbouring countries once they leave the country illegally; i.e., through the services of human traffickers. In this connection, a certain country has allocated 10,000 asylum rights on an annual basis to Eritrean youth, especially those in the national services. This is a flagrant inducement for them to leave the country illegally. Eritrea has conveyed strong opposition and rejection of this policy to the country concerned on various occasions. The Monitoring Group's attempts to accuse Eritrea of human trafficking are ludicrous indeed.

V. Conclusion

125. Contrary to the image portrayed by the Monitoring Group, Eritrea, since its independence, has been working for regional peace and security and remains committed to the same objective, including to the outcome of the Qatari mediation process between Djibouti and Eritrea, which hopefully would be concluded shortly.

126. Eritrea has shown its firm commitment to the peaceful and legal settlement of its border dispute with Ethiopia by fully adhering to the delimitation and demarcation decisions of the independent Eritrea-Ethiopia Boundary Commission. The same must also be demanded of Ethiopia's compliance with international law, without any equivocation or any special treatment. It should be stressed that Ethiopia's continued occupation of sovereign Eritrean territory and its publicly declared "regime change" through subversive means are all flagrant violations of the Charter of the United Nations and continue to act as impediments to better bilateral relationships and better cooperation for regional peace and security.

127. As shown in the previous paragraphs of the response, Eritrea is in compliance with resolution 1907 (2009) in regard to Somalia, Djibouti and the arms embargo. Even the accusation that Eritrea masterminded and attempted the bombing plot in Addis Ababa described in a WikiLeaks document was a drama indicative of the

pattern and the precedence for such kinds of accusations against Eritrea emanating from Ethiopia.

128. On the basis of the report of the Monitoring Group, the recommendations made thereof to impose a new sanctions regime against Eritrea, therefore, fly against the content and evidence presented in the main body of the Monitoring Group's own report. This being the case, fairness and justice demand that the sanctions on Eritrea be lifted immediately, not to speak of new ones. Justice and fairness would also require that measures be taken against the Ethiopian Government, as the Monitoring Group has stated categorically that Ethiopia is "in violation of the general and complete arms embargo" on Somalia. It is highly significant that the Monitoring Group inexplicably fails to make any recommendations in regard to Ethiopia's violations of relevant Security Council resolutions, including resolution 1907 (2009).

129. Eritrea will extend its cooperation to the United Nations and the countries in the region for a more stable and secure region of Africa and wishes to express its readiness to engage with the Security Council Committee on its full response to the report of the Monitoring Group on Somalia and Eritrea at an opportune time.

Enclosure I

Statement of the Cabinet of Ministers of Eritrea Government

The Cabinet of Ministers of the Government of Eritrea has held a meeting in Asmara today, Thursday, May 14, 1998, to consider the Statement issued by the Council of Ministers of the Federal Democratic Government of Ethiopia which accuses Eritrea for inciting conflict and hatred and pursuing a policy of territorial expansion; condemns Eritrea alleging that its army has invaded Ethiopian territory by crossing its borders; and warns that Ethiopia will take all the necessary measures to protect its territorial integrity.

The Government and people of Eritrea are greatly saddened by the tone and contents of these grave accusations.

The Cabinet of Ministers of the Government of Eritrea noted that there have been, and continue to exist, border disputes in certain localities along the common borders between Eritrea and Ethiopia. These problems have been instigated by the unlawful practices of the Ethiopian army which occasionally made incursions into these Eritrean territories; dismantling the local administrative structures and committing crimes against the inhabitants.

But despite these periodic occurrences, the Cabinet asserted that the Government of Eritrea has been consistently endeavouring to resolve these recurrent problems through bilateral negotiations with the Government of Ethiopia in a calm and patient manner; cautious for not inflating the problem out of proportions and incite animosity between the two fraternal peoples. The Government of Eritrea has opted for this course of action because it believes that the international boundary between Eritrea and Ethiopia is very clear and incontroversial. Because it knows that the recurrent border incursions that continue to be perpetuated by Ethiopian forces basically emanate from the narrow perspectives of the Administrative Zones.

The Cabinet of Ministers further noted that a Joint Committee had been formed from both governments to resolve these problems and to delineate on the ground the boundary line. The Cabinet of Ministers asserted that the Government of Eritrea has been exerting all the necessary efforts to expedite the process and facilitate the work of the Joint Committee.

But on Wednesday, May 8, 1998, and while the Eritrean delegation was on its way to Addis Abeba for a meeting of the Joint Committee to discuss ways and means for accelerating its work, Ethiopian army contingents that had already penetrated into Eritrean territory in the areas around Badme (southwestern Eritrea) opened fire and caused grave damage on Eritrean units that attempted to approach them for dialogue. This unprovoked attack subsequently triggered a cycle of clashes in the area.

Furthermore, while continued talks were underway to resolve the tension provoked by the first attack, an appalling Statement aimed at sending an unnecessary message to the peoples of both

countries and the international community was issued by the Council of Ministers of the Federal Democratic Government of Ethiopia.

The Cabinet of Ministers reiterates its firm belief that the enduring mutual interests that exist and bind together the peoples of Eritrea and Ethiopia cannot be jeopardized by any border dispute. The Cabinet of Ministers accordingly proposes the following framework as a solution to the problem that has been made to be blown out of proportions and derailed from its path.

1. The Government of Eritrea condemns the logic of force as it firmly knows and upholds that border disputes of any kind can only be resolved through peaceful and legal means; and not through military means.
2. On the basis of this principle, each party shall publicly announce to the peoples of Eritrea, Ethiopia and the international community the territories that it claims--if any--and designate them on the political map with clear geographical coordinates. Each party shall also accept that the dispute cannot, and should not be, resolved by force but through peaceful negotiations.
3. Both parties shall agree that all negotiations and understandings that will be conducted henceforth shall be carried out in the presence and through the mediation of a Third Party. The latter will act as witness and guarantor.
4. Areas under "dispute" shall be demilitarized temporarily and be free from the presence of armies of both countries. The enforcement of this understanding shall be guaranteed by the Third Party.
5. If the above proposal for resolving the dispute through the involvement of a Third Party and without further complications is not acceptable, the matter to be referred to international adjudication.

The Government of Eritrea firmly believes that attempts to inflate the minor and temporary problem that has been created along the borders of the two sisterly countries will not serve the fundamental interests of the Eritrean and Ethiopian peoples. The Government of Eritrea pledges that it will, as ever before, spare no efforts to handle the present problem with the requisite patience and responsibility. It does not, accordingly, see any wisdom in precipitating tension through inflammatory campaigns.

The Government of Eritrea therefore calls upon the Government of Ethiopia to pursue a similar path that will promote the interests and good neighbourliness of the peoples of both countries. The Cabinet of Ministers of the Government of Eritrea further reasserts its belief that the peoples of Eritrea and Ethiopia will maintain and preserve their mutual interests rooted in peace, good neighbourliness and cooperation.

Asmara, May 14, 1998

Enclosure II

Statement of Eritrean delegation on IGAD meeting regarding Somalia in 2006

Excellencies,

Allow me to express my Government's profound gratitude to the Government of Kenya for taking the initiative at this critical moment to convene this august meeting. Somalia is at cross roads today. Misguided policies by external actors coupled with political imprudence by key Somali political forces could potentially exacerbate the situation and plunge the country into an intractable abyss that is by far worse than the turmoil of the past 15 years. If this is allowed to occur, its implications for regional peace and security will indeed be grave in addition to the immense suffering that it would entail to the Somali people.

But this bleak situation need not occur in the first place. It can, and should In our view, this can only happen through i) an internal be, avoided political process that is constructive and serious; and ii) external facilitation and support that is prompted by motives that have the security and stability of Somalia and the welfare of its peoples at heart.

We must recognize that the current crisis is the derivative of multi-faceted and cumulative underlying causes. For the past 15 years, Somalia has become ensnared in a spiral of internecine conflicts, intractable clan cleavages, and, the chronic rivalry of warlords with ever-shifting alliances resulting in the fragmentation of central political authority and the balkanization of the Central State. These long years of chaos and immense suffering contrast sharply with decades of significant socio-economic progress and nation building that Somalia enjoyed until the 1990s in a country unique in Africa for its ethnic and cultural homogeneity. Perceived geopolitical considerations by major powers, military involvement of external forces, misrepresentation of Somali political realities in the aftermath of September 11, and the failure of several peace initiatives have further compounded the internal commotion. The crisis that we see unfolding today is the byproduct of all these complications. Collective or individual initiatives that will be taken to promote enduring peace and stability in Somalia must accordingly address the parameters outlined below if they are to bear fruit.

1. **External Military Intervention**: Any external military intervention will further polarize the political realities of Somalia and induce Ethiopia's military intervention, under greater conflagration. Whatever guise or justification, is particularly dangerous both for reasons of historical animosity and because of the events of the past few years. Ethiopia must therefore cease its intermittent military intervention and withdraw the forces that it has deployed in the past few days.

2. **Linkages with International terrorism**: The portrayal development in Somalia in terms of the global war on terrorism is factually untenable and politically imprudent. The overarching national cause of the Somali people should not indeed be reduced to or lumped together with this singular concern. It must be acknowledged that external support to the warlords under the rubric of fighting terrorism was a factor of complication. Some regional and local actors have also found this portrayal convenient to camouflage other ulterior motives.

3. **Lifting of Arms Embargo**: A recent call by some forces for a selective lifting of the UN embargo on arms is unbalanced, misguided and fraught with dangerous consequences. Indeed, this can only imperil the political process of reconciliation and durable political arrangement in Somalia. Appropriate adjustments can be contemplated when there is irreversible progress in the political arrangement giving rise to national institutions that have credible legitimacy and popular support.

4. **Political Processes of National Reconciliation**: The daunting problem in Somalia is essentially an internal political problem that must be solved through negotiations between Somali political forces. The role of IGAD and our partners in peace must be focused on facilitating and promoting these negotiations through appropriate forums and mechanisms.

5. **Territorial Disputes**: The current situation in Somalia is raising the specter of territorial claims and disputes between Somalia and its neighbours. Territorial disputes and claims can only be settled by strict adherence to the sanctity of colonial boundaries and IGAD should adopt this stance firmly and unequivocally.

My Government believes and sincerely hopes that IGAD can foster a forward-looking consensus around these five points at this meeting. We do not wish to engage in fruitless discourse of acrimony but let me conclude by firmly rejecting all groundless accusations peddled against Eritrea in the past few months. As underlined in the previous Ministerial Meeting on Somalia, Eritrea has never seen Somalia as a proxy battlefield to settle scores with Ethiopia. Grave as it may be, the border conflict with Ethiopia is a problem between the two countries that cannot be played out in Somalia.

Thank you

Enclosure III

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دولة إرتريا
وزارة الشؤون الخارجية

The State of Eritrea
Ministry of Foreign Affairs

Press Release

In December 2006, Ethiopia invaded Somalia setting a dangerous precedent in the region.

Initially, the pretext for the invasion was to pre-empt, in the words of Ethiopia's Prime Minister, the Islamist threat emanating from Somalia.. However, after it became obvious that the casus belli would not hold water, the Prime Minister recanted to claim that he sent his troops upon the invitation of the embattled Transitional Federal Government of Somalia. Sadly, Ethiopia's aggression was abetted by the international community, with the US sponsoring the preemptive strike; the UN refraining from condemning the gross violation of international law; the African Union playing along with the TFG invitation claim; and IGAD voicing support for Ethiopia's intervention.

Ethiopia has now announced that it is seeking an exit strategy from Somalia after causing huge devastation to the country. But the tragic fact remains that thousands of innocent Somalis have perished and over 500,000 civilians forced into exile or internal dislocation. Numerous towns and villages were pulverized in indiscriminate aerial bombings; often in an appalling environment of total news blackout. The relative stability that Mogadishu had seen after years of chaos was disrupted by Ethiopia's invasion and occupation; with the country as a whole descending in a downward spiral. The mayhem and lawlessness that have gripped Somalia, including the proliferation of piracy with its dangerous consequences for commercial maritime traffic in our region, are indeed deleterious consequences spawned by Ethiopia's invasion. Ethiopia's legal culpability in all these traffic developments cannot thus be whitewashed by its withdrawal today or through other tenuous explanations.

While these are the indelible facts, Ethiopia's authorities continue to apportion blame here and there to duck principal responsibility. At times, it is the Transitional Federal Government of Somalia which must assume responsibility for lack of commitment to clamp down the pirates…who are not fish who just sprang out of the sea (statement from Ethiopia's Foreign Minister). At other times, Ethiopia's authorities seek to make a

scapegoat of Eritrea in their usual, worn-out, campaign of vilification and disinformation (recent statement by the prime minister of Ethiopia.)

Even at this late hour, the enduring solution to Somalia's myriad problems rests on three fundamental pillars. First off, external military intervention, under any pretext or label, will not mitigate but only exacerbate the turmoil that has gripped Somalia. Secondly, it must be recognized that the various schemes of Balkanizing and fragmenting Somalia into fragile mini-States will continue be a recipe for continuous conflict. Thirdly and most importantly, Somalis must be allowed to pursue the objective of national reconstitution through their own devices.

Ministry of Foreign Affairs
Asmara
4 December 2008

Enclosure IV

Address of the Foreign Minister of Eritrea, Osman Saleh, at the Istanbul conference on Somalia

Istanbul, Turkey

21-23 May 2010

Mr. Chairman
Honourable Heads of State and Government
Distinguished Delegates
Ladies and Gentlemen,

Let me first thank the Secretary General of the United Nations and our gracious host, the Prime Minister of the Republic of Turkey, for organizing this important forum to provide the opportunities and augment the prospects of finding an enduring solution to the crisis that has bedeviled Somalia for the past twenty years. In this spirit, allow me to restate in a concise form and without going into details, the views of my Government in regard to the fundamental ingredients of a lasting settlement.

First, there can be no military solution to the conflict in Somalia. This is borne out by the experience of two decades of violent internal conflict as well as external military interventions. The evidence is so overwhelming that it is difficult to argue against the basic premise with any conviction. And yet the notion that more money and arms, better training and a well organized military offensive can bring change is still with us. Clearly this approach will lead to the intensification and prolongation of the conflict, further death and destruction, and as similar previous efforts, end in failure. Hence, the urge to once again go down a ruinous path must be strongly resisted

Second, the only real prospect for a lasting resolution of the Somali problem lies in an inclusive political process. This process should not exclude any party, for success demands that it brings on board all the critical actors, the main protagonists in Somalia. Obviously, this will be a difficult, complex and drawn out process. But, since there is no workable alternative, it is imperative that we prioritize the political approach and earnestly engage all the parties, with the aim of encouraging a political settlement.

Third, two decades of experience has conclusively shown that a durable solution for Somalia can only be the outcome of a Somali owned and driven process, one that respects the choice of the Somali people. Again, this will be difficult to achieve, but it is the only way out of this crisis. External facilitators can help, but they must remember that their role is only supportive and focused on enhancing the environment for Somalis to sort out their problems and find arrangements that they can live with in peace and stability.

Excellencies,

Intractable as it may seem, the Somali problem can and will be solved. I hope that this timely forum will spark honest discussion and fresh ideas and will be followed up by sustained and constructive efforts, thereby making a significant contribution to the achievement of peace and stability to Somalia.

I thank you.

Enclosure V

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The President

Asmara, 23 March 2007

Dear Mr. President,

As Your Excellency is closely monitoring the unfolding situation in Somalia, external interventions and invasions continue to be perpetrated against the Somali people under various labels and pretexts. These illegal acts are contrary to, and undermine, all the sincere and intense efforts that have been undertaken, including the commendable endeavours of Your Excellency, to relieve the Somali people from their predicaments and to reconstitute Somalia. They are also pushing our region to a dangerous alley.

Against this backdrop of events, I believe that it is incumbent on us to shoulder our regional responsibilities and to coordinate our efforts. In this spirit, I am dispatching H.E. Minister Ahmed Haji Ali to convey to Your Excellency my thoughts on these matters and to listen to Your wise counsel.

Accept, Mr. President, the assurances of my consideration.

Isaias Afwerki

His Excellency
Ismail Omar Guelleh
President of the
Republic of Djibouti

Enclosure VI

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دولة إرتيريا
وزارة الشؤون الخارجية

The State of Eritrea
Ministry of Foreign Affairs

Press Statement on Somalia

After 18 years of chaos and deception, the trajectory of Somalia's journey appears to be clearer than ever before. Yet, seemingly benign efforts aimed at disrupting the journey continue without let up. It is therefore vital and timely to recoup and highlight the critical issues and dimensions of the problem.

For the last 18 years, external interferences and invasion on the one hand, and acts of warlords with narrow interests on the other, have rendered meaningless the de facto existence of a Somali State.

Eighteen years of vacuum has wreaked immeasurable devastation and suffering on the people of Somalia. Furthermore, this has been, and continues to constitute, one of the principal causes of instability in the Horn of Africa. It has not abated but seems to aggravate with time.

The vacuum that has prevailed in Somalia for the last 18 years has not only created conducive grounds for the perpetration of piracy and banditry. But, these phenomena are being misconstrued to provide suitable pretexts for external interference and to impede a genuine resolution.

In the event, the only viable solution is the reconstitution of Somalia by the Somalis themselves and the facilitation of an enabling environment for launching the process in earnest. All other alternatives, packaged under any mantle, will only corrode the potential opportunities and aggravate the complexity. And above all, they will not have any legitimacy for the following simple and clear reasons:

1. In accordance with the Charter of the United Nations and international law, there exists only one, unitary, sovereign Somalia that has hoisted its flag. There is no other Somali entity. In the event, the United Nations and its Security Council have no moral or legal authority to recognize any other reality. The same applies to other international and regional organizations.
2. "Somaliland", "Puntland" and other "lands" may have emerged on the political landscape as a result of well-known causes and their obvious ramifications. Nonetheless, endorsement of the phenomena under the guise of stable "havens" and keeping the matter

in limbo while preventing the Somali people from resolving it in a manner of their choosing will only perpetuate their suffering and exacerbate the chaos. The United Nations and Security Council do not have the authority or responsibility to recognize and accept these dispersed "lands" outside, or against the will, of the Somali people.

3. It is the right of, and incumbent upon, the whole Somali people, to determine the issues of "Somaliland", "Puntland" or other lands, by exercising their free will during the process of reconstitution or in its aftermath. This cannot be usurped by any other party.
4. Governments fabricated or installed externally under various labels of "transition" outside the due process of law and contrary to the wishes of the Somali people cannot be imbued with legitimacy and recognition as the duly constituted Government of a sovereign Somalia. Furthermore, it must be acknowledged that these schemes only hamper the opportunity for the people of Somalia to find early solutions besides aggravating the turmoil in the Horn of Africa region.
5. External interventions carried out under any name or pretext on behalf of illegitimate governments cannot have any legal foundation. Their primary objective is in fact to precipitate the fragmentation of Somalia and to forestall genuine efforts at finding a lasting solution. As such, they must be thwarted and deplored.
6. All schemes set in motion and/or conferences convened in the name of these illegal governments with the aim of legitimizing these illicit processes as "fait accompli" cannot be acceptable as they are devoid of any legality.

The people and Government of Eritrea do not have any other stance or policy that deviates from these basic legal considerations and concerns of regional security. Unless they harbour other ulterior motives, any other people or Government would not, for that matter, have a differing stance on this matter.

Attempts at portraying the position and policies of the people and Government of Eritrea as prompted by allegiance to certain individuals are deliberate acts of disinformation that do not merit serious rebuttal.

Moreover, groundless accusations of associating Eritrea with "terrorism" or as pursuing a "proxy war" emanate from the same base motives of stifling the voice and true stance of the people and Government of Eritrea.

In the circumstances and especially at this crucial time, the Government of Eritrea urges the UN and its organs to desist from taking unwarranted measures that exacerbate and prolong the suffering of the Somali people; that maintain the existing vacuum and limbo; and that deepen the crisis in the Horn of Africa.

Ministry of Foreign Affairs
Asmara
April 10, 2009

Enclosure VII

Declaration of Principles for the Resolution of the Conflict in Eastern Sudan

Preamble

We the Government of Sudan (GOS) and the Eastern Front (EF), henceforth referred to as the parties, meeting in Asmara, Eritrea, under the auspices of the Government of the State of Eritrea and on the basis of the agreement on procedural issues that we signed on May 25, 2006;

Reaffirming our commitment to the unity, sovereignty, territorial integrity and independence of Sudan;

Convinced that Sudan can prosper and flourish in peace only when it ensures equitable participation and development of its people throughout the country;

Determined to address the root causes of the conflict in Eastern Sudan, ensure stability and security and find a lasting peaceful settlement that benefits the people of Eastern Sudan and the whole country;

Committing ourselves to respect the integrity of the talks and the mediation and to negotiate in good faith;

Taking into consideration what has followed from the Comprehensive Peace Agreement of 9 January 2005 as well as the particularities of Eastern Sudan;

Agree that the following principles shall form the basis of a just and lasting peaceful settlement of the conflict in Eastern Sudan

1- Unity with recognition of and respect for diversity, protection of the fundamental freedoms and rights of citizens, devolution of powers within a federal system, and equitable distribution of national wealth are essential foundations for a united, peaceful, just and prosperous Sudan.

2- Political, economic, social and cultural marginalisation constitutes the core problem of Eastern Sudan.

3- Effective participation and representation in all government institutions and at various levels shall be ensured for the people of Eastern Sudan.

4- A fair share of national resources and affirmative action to address past inequalities as well as sustained social, economic and cultural development are key to a just and lasting settlement.

5- Security arrangements for the consolidation of peace shall be addressed as part of an overall agreement.

6- Rehabilitation of war-affected areas will be given priority and assistance provided to refugees and internally displaced people to return to their homes.

7- The Parties commit themselves to involve the people of Eastern Sudan from the beginning of the peace process; and to convene an Eastern Sudan Consultative Conference to ensure support for, and active participation in the implementation of, a Comprehensive Agreement.

8- The parties undertake to immediately cease all military hostilities and to maintain a military stand-down during the negotiations on the basis of the "Agreement On Creating A Conducive Environment For Peace" signed on 19 June 2006.

9- All Agreements reached by the parties shall be incorporated in the Interim National Constitution.

Asmara, June 19, 2006

For the Government of Sudan
Dr. Mustafa Osman Ismail
Advisor to the President
of the Sudan Republic

For the Eastern Front of Sudan
Alsaied Musa Mohamed Ahmed
Chairman of the Eastern Front

For the Government of Eritrea
Yemane Ghebreab
Head of Political Affairs
Peoples Front for Democracy and Justice

Enclosure VIII

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The President

Asmara, 7 November 2008

H.E. Mr. Jorge Urbina
President of the Security Council
United Nations
New York

Excellency,

The Government of Eritrea has learned that the UN Security Council is mulling over the options of issuing a "Presidential Statement or Resolution" against Eritrea in support of and to condone the unfounded accusations leveled by Djibouti.

The irony of this drama cannot be overemphasized. As it may be recalled, the UN Security Council passed Resolution 1430 in August 2002 requesting Ethiopia to dismantle, within 30 days, its illegal settlements in and occupation of, the sovereign Eritrean territory of Dembe Mengul in Western Eritrea. Ethiopia ignored the Resolution and the UN Security Council failed to take any remedial action.

Ethiopia continues to occupy the town of Badme and other Eritrean territories in violation of fundamental tenets of international law. Ethiopia's acts, which have been tolerated for the past six years by the UN Security Council, constitute a flagrant breach of the Algiers Peace Agreement; and Articles 2.4 and 33 of the UN Charter on the "non-use of force against the territorial integrity of a Member State" and the commitment of Member States to the "pacific settlement of disputes" respectively.

And in April this year, Ethiopia has gone a step further to occupy and deploy offensive weapons on the Eritrean part of Mount Musa Ali on the Ethiopia-Djibouti and Eritrea junction.

In view of these facts, why is the Security Council bracing today to take punitive action against Eritrea on at best a putative and at worst a

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The President

manufactured border dispute when it has kept mum for all these years on Ethiopia's repetitive and grave violations of international law that are fraught with plunging the region into another cycle of violent confrontation?

Eritrea is not, of course, in a position to explain this overly lopsided stance. Eritrea can only emphasize that double-standards will further erode the moral authority of the UN Security Council and contribute to greater regional destabilization.

Isaias Afwerki

Enclosure IX

AFRICA news

The largest network of African reporters

Ethiopia calls for regime change in Eritrea

Posted on Wednesday 6 April 2011 - 09:25
Abraham Fisseha, AfricaNews reporter in Addis Ababa, Ethiopia

Ethiopia's Prime Minister, Meles Zenawi, on Tuesday call for regime change in Eritrea and accused an opposition party, Medrek, of planning and instigating violence in Ethiopia. Zenawi has also accused Egypt of backing Eritrea's effort to destabilize in that country. "Ethiopia would not tolerate Eritrean government's destructive policy anymore and the country is forced to change its policy from "passive defiance" to directly help Eritrean people topple the regime," Zenawi said while presenting an eight-month government's performance report to parliament.

According to the prime minister, Eritrean government has continued its attempt to destabilize Ethiopia by deploying terrorists and home grown "destructive forces", such as the Oromo Liberation Front (OLF) and Ogden National Liberation Front (ONLF), as well as the Somalia extremists group, Al shabab.

He further stated, **"Until now, our strategy has been defending our sovereignty by speeding up our development. Now, we found that we could not go any longer with passive defense. It's not possible to take passive defense as the only alternative."**

"Therefore, we have to facilitate ways for Eritrean people to remove its dictatorial regime. We have no intention to jump into their country but we need to extend our influence there. If Eritrean government tries to attack us, we will also respond proportionally," Meles added.

The Ethiopian Prime Minster brought to light how the Egyptians are working with Eritrea to destabilize Ethiopia in order to hinder its decision to construct dam on the Nile.

Meles told Parliament, "Recently, Eritrea is training and deploying, Al shabab and locally grown destructive forces to terrorize our country. But Egypt is the direct force behind these destructive elements that back them."

"In order to prevent any development on Blue Nile River, Egypt and Eritrea has created their own front," he added.

He, however, confirmed that that Ethiopia has no intention of invading Eritrea or opening a new war.

Ethiopia Prime Minster told the country's Parliament that Egypt's a long time strategy is to destabilize Ethiopia and so that cannot raise a voice about using the Nile.

Meles Further pointed out that the current policy of backing Eritrea and other terrorists group is part of it long time strategy that goes back to over 50 years.

He stressed that the Ethiopian people are not enemies of the Egyptian people and he called on the people of Egypt to realize that the building of the dam is also beneficial to them.

Previously the Prime Minster in his speech at launching of the dam construction he told the audience that Ethiopia would welcome Egypt and Sudan to join in construction at any level if they wish to do so.

Speaking about opposition forces that are legally recognized, "The Ethiopian government is neither blind nor deaf. You don't have to think as if we did not know anything," Meles said adding that the government has refrained from releasing the list of detainees and suspected OLF members by police until the opposition parties did it.

"Now that the opposition has made public the list of the detainees, it means that the opposition is testifying that all OLF members who are detained are their members. In other words, they proved by themselves that the opposition is the hiding place for OLF".

"We even know that OLF members have been here with us for five years at this house (parliament). We knew everything, but we did not take them to court, as we did not have substantial evidence. Now, the opposition parties have proved it those who are in custody are their members," Meles told parliament.

The opposition's party "Medrek, particularly Unity for Democracy and Justice," is orchestrating to instigate violence and protest in the country. However, he said I would like the party to know that there is a price to pay.

"We would like to make it clear that the opposition cannot go long by being a cover of anti-peace elements," he added.

REUTERS

Ethiopia says to work for Eritrea "regime change"

By Aaron Maasho

ADDIS ABABA | Thu Apr 21, 2011 9:19am EDT(Reuters) - Ethiopia declared openly Thursday that it will support Eritrean rebel groups fighting to overthrow President Isaias Afewerki.

The two countries have often traded harsh rhetoric since a 1998-2000 border war killed some 80,000 people, but Ethiopian Prime Minister Meles Zenawi has until now ruled out confrontation.

However, Addis Ababa warned last month it would take "all measures necessary" against its northern neighbor after accusing it of plotting to carry out bomb attacks inside Ethiopia during an African Union summit in February.

Government officials have said the plot targeted a hotel where a number of heads of state were staying during the summit, as well as other facilities.

Ethiopian Foreign Affairs Minister Hailemariam Desalegn accused Asmara of working to destabilise his country and topple the government in Addis Ababa.

"We have embarked ourselves on equal reaction, which is regime change (in Eritrea)," he told journalists.

"This regime change is not by invading Eritrea but by supporting the Eritrean people and groups which want to dismantle the regime. We are fully engaged in doing so," Hailemariam said.

Hailemariam did not disclose the extent of Addis Ababa's support, but a few Eritrean groups already operate from northern Ethiopia and have staged sporadic hit-and-run attacks inside Eritrea in the past.

Wednesday, some 1,600 Eritrean refugees gathered in Addis Ababa to call for democratic rule in their country, which thousands have fled in recent years citing rights abuses.

Authorities in Asmara were not immediately available for comment, but Isaias often dismisses foreign-based opponents as "puppets" acting under the orders of foreign governments.

Eritrea was part of Ethiopia until 1991 when rebel forces led by Isaias fought their way to secession following a 30-year liberation war.

Meles and Isaias were then allies leading separate rebel groups fighting former Ethiopian dictator Mengistu Haile Mariam, but they have been foes ever since the border war.

Eritrea has since become one of the world's most secretive nations and has frosty relations with most of the West including the United States, which it accused of siding with Ethiopia during its border war.

The border conflict has yet to be resolved, with Ethiopia calling for a negotiated implementation of a boundary ruling, an approach Eritrea has ruled out.

Meles Wants Regime Change in Eritrea; Accuses Egypt, Ethiopian Opposition

By Yonas Abiye

Addis Ababa, April 5, 2011 (Ezega.com) - Prime Minister Meles Zenawi on Tuesday accused Medrek of planning and instigating violence in Ethiopia.

While presenting an eight month government's performance report to parliament, Meles responded to questions posed by Girma Seyfu, the sole opposition member of parliament, about the mass arrest of opposition members.

"The Ethiopian government is neither blind nor deaf. You don't have to think as if we did not know anything," Meles said adding that the government has refrained from releasing the list of detaineesand suspected OLF members by police until the opposition parties did it.

"Now that the opposition have made public the list of the detainees, it means that the opposition is testifying that all OLF members who are detained are their members. In other words, they proved by themselves that the opposition is the hiding place for OLF".

"We even know that OLF members have been here with us for five years at this house (parliament). We knew everything, but we didn't take them to court as we did not have substantial evidence. Now, the opposition parties have proved it."Meles said to the country's lawmakers.

The opposition's party Medrek, particularly Unity for Democracy and Justice, is orchestrating to instigate violence and protest in the country. However, Meles did not give more details about the matter.

"We would like to make it clear that the opposition cannot go long by being a cover of anti-peace elements," he added.

Meles was also speaking about Ethiopian new strategy on Eritrea.

He told the parliament that Ethiopia would not tolerate Eritrean government's destructive policy anymore and the country is forced to change its policy from "passive defiance" to directly help Eritrean people topple the regime.

He, however, confirmed that Ethiopia has no intention of invading Eritrea or opening a new war.

According to the prime minister, Eritrean government has continued its attempt to destabilize Ethiopia by deploying terrorists and home grown "destructive forces", such as the Oromo Liberation Front (OLF) and Ogaden National Liberation Front (ONLF), as well as the Somalia extremists group, Al shabab.

He underscored that **"Until now, our strategy has been defending our sovereignty by speeding up our development. Now, we found that we cannot go any longer with passive defense. It' is not possible to take passive defense as the only alternative."**

"Therefore, we have to facilitate ways for Eritrean people to remove its dictatorial regime. We have no intention to jump into their country but we need to extend our influence there. If Eritrean government tries to attack us, we will also respond proportionally," Meles added.

Meles also criticized the Egyptian government's influence of what he said is Egypt'sbacking of Eritrean and other terrorists to encourage them to destabilize Ethiopian as part of its long time strategy to deter Ethiopia's development on the Nile river.

"Recently, Eritrea is training and deploying, Al shabab and locally grown destructive forces to terrorize our country. But Egypt is the direct force behind these destructive elements that back them," he told lawmakers. He added "In order to prevent any development on Blue Nile River, Egypt and Eritrea have created their own front."

He also called on Egyptian people to realize that Ethiopia is not their enemy, citing that Ethiopian newly plan to build the grand dam on Nile river will also benefit the downstream countries.

Enclosure X

PRESS RELEASE

Statement of the Government of Eritrea
On the Award of the Claims Commission

The Eritrea-Ethiopia Claims Commission ("EECC") delivered its Final Awards regarding violations of international law during the 1998-2000 border war. The EECC was established by Article 5 of the Algiers Agreement, the same legal instrument that created the Eritrea-Ethiopia Boundary Commission ("EEBC"), which rendered its boundary Award in April 2002.

Eritrea is well aware of the interference that has impaired the administration of justice. Nonetheless, and irrespective of the plausibility of the evidence and legal instruments invoked to arrive at the Award, the Government of Eritrea accepts the Award of the Claims Commission without any equivocation due to its final and binding nature under the Algiers Agreement. This is indeed consistent with Eritrea's track record of respecting arbitration decisions that emanate from its treaty obligations.

The Government of Eritrea expresses its profound gratitude to its legal counsel who toiled extremely hard to compile the necessary evidence and to advance robust legal arguments in order to ensure justice.

The legal filings have not yet been made public due to procedural requirements of confidentiality during the litigation process. Now that the Award has been announced, the Government of Eritrea intends to put all these proceedings in the public domain for their judgmental and educational purposes to posterity.

Asmara

18 August 2009

Enclosure XI

AGREEMENT BETWEEN THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA AND THE GOVERNMENT OF THE STATE OF ERITREA

The Government of the Federal Democratic Republic of Ethiopia and the Government of the State of Eritrea (the "parties"),

REAFFIRMING their acceptance of the Organization of African Unity ("OAU") Framework Agreement and the Modalities for its Implementation, which have been endorsed by the 35th ordinary session of the Assembly of Heads of State and Government, held in Algiers, Algeria, from 12 to 14 July 1999,

RECOMMITTING themselves to the Agreement on Cessation of Hostilities, signed in Algiers on 18 June 2000,

WELCOMING the commitment of the OAU and United Nations, through their endorsement of the Framework Agreement and Agreement on Cessation of Hostilities, to work closely with the international community to mobilize resources for the resettlement of displaced persons, as well as rehabilitation and peace building in both countries,

Have agreed as follows:

Article 1

1. The parties shall permanently terminate military hostilities between themselves. Each party shall refrain from the threat or use of force against the other.

2. The parties shall respect and fully implement the provisions of the Agreement on Cessation of Hostilities.

Article 2

1. In fulfilling their obligations under international humanitarian law, including the 1949 Geneva Conventions relative to the protection of victims of armed conflict ("1949 Geneva Conventions"), and in cooperation with the International Committee of the Red Cross, the parties shall without delay release and repatriate all prisoners of war.

2. In fulfilling their obligations under international humanitarian law, including the 1949 Geneva Conventions, and in cooperation with the International Committee of the

Red Cross, the parties shall without delay, release and repatriate or return to their last place of residence all other persons detained as a result of the armed conflict.

3. The parties shall afford humane treatment to each other's nationals and persons of each other's national origin within their respective territories.

Article 3

1. In order to determine the origins of the conflict, an investigation will be carried out on the incidents of 6 May 1998 and on any other incident prior to that date which could have contributed to a misunderstanding between the parties regarding their common border, including the incidents of July and August 1997.

2. The investigation will be carried out by an independent, impartial body appointed by the Secretary General of the OAU, in consultation with the Secretary General of the United Nations and the two parties.

3. The independent body will endeavor to submit its report to the Secretary General of the OAU in a timely fashion.

4. The parties shall cooperate fully with the independent body.

5. The Secretary General of the OAU will communicate a copy of the report to each of the two parties, which shall consider it in accordance with the letter and spirit of the Framework Agreement and the Modalities.

Article 4

1. Consistent with the provisions of the Framework Agreement and the Agreement on Cessation of Hostilities, the parties reaffirm the principle of respect for the borders existing at independence as stated in resolution AHG/Res. 16(1) adopted by the OAU Summit in Cairo in 1964, and, in this regard, that they shall be determined on the basis of pertinent colonial treaties and applicable international law.

2. The parties agree that a neutral Boundary Commission composed of five members shall be established with a mandate to delimit and demarcate the colonial treaty border based on pertinent colonial treaties (1900, 1902 and 1908) and applicable international law. The Commission shall not have the power to make decisions *ex aequo et bono*.

3. The Commission shall be located in The Hague.

4. Each party shall, by written notice to the United Nations Secretary General, appoint two commissioners within 45 days from the effective date of this Agreement, neither of whom shall be nationals or permanent residents of the party making the appointment. In the event that a party fails to name one or both of its party-appointed commissioners within the specified time, the Secretary-General of the United Nations shall make the appointment.

nclosure XII

RUBINSTEIN & RUBINSTEIN, LLP

Expat Americans Living and Working abroad: On the IRS Radar

Expat Americans Living and Working abroad: On the IRS Radar
by Asher Rubinstein, Esq

There are millions of United States citizens who live and work outside the US. These non-resident citizens are still subject to IRS reporting requirements, i.e., they must still file tax returns and the Report of Foreign Bank and Financial Accounts (the "FBAR"), and they are subject to payment of taxes on all income, including income earned abroad. The US, virtually alone among nations, imposes an extra-territorial tax regime, meaning that US citizens, even if they live and work overseas, must pay taxes on income earned offshore. The American expat may be entitled to credits for living abroad, and may be able to deduct taxes paid to a foreign government. Living and working abroad do not mitigate one's US tax obligations.

An American expat might surmise that living abroad, he or she is far removed from the IRS. The expat may be tempted to hide foreign income, and not disclose an account in a foreign country, thinking that the the IRS would never learn about income in a foreign country, and a local account at a non-US bank. However, that would be a serious risk. How might the IRS learn about a foreign account, so far away and seemingly off the American radar?

First, via the Qualified Intermediary (QI) Program, in effect since 2001. Under the Qualified Intermediary Program, foreign banks are obligated to share information with the IRS. Moreover, under IRS Announcement 2008-98, the foreign banks must now actively investigate and report to the IRS whether US persons (or entities controlled by US persons) are the owners of the account. Many thousands of foreign banks are enrolled in the QI program. Not fulfilling their QI obligations would result in a lack of access to correspondent banks in the US, effectively severing such banks from international financial transactions. The IRS also routinely audits random foreign accounts at QI banks. And QI banks must also submit to external auditors, who might also discover and report non-compliant accounts.

Second, via "John Doe" summons issued by the US Department of Justice, approved by a US court and then served upon a foreign bank, requesting information about US account holders. In 2002, courts approved John Doe summonses issued against credit card service companies, and the IRS learned the identities of US persons accessing unreported foreign funds via credit and debit cards. In 2009, a federal court in Miami approved a John Doe summons against UBS, seeking account records of US persons with supposedly "secret" Swiss bank accounts. In settling the litigation that ensued, UBS agreed to turn over 10,000 names of Americans with accounts at

UBS. Aside from the erosion of Swiss banking secrecy, which itself is a monumental development, equally significant is that John Doe summonses work, and will be used against other banks and financial service providers, in other foreign countries.

Third, via the "Hague Convention on the Service Abroad of Judicial and Extra Judicial Documents in Civil and Commercial Matters", pursuant to which a summons, inquiry, demand for information or documents, from the IRS to an American expat, can be delivered and served upon that expat in the country where he resides. It has recently been reported that the IRS has used the Hague Convention in issuing administrative subpoenas upon wealthy Americans in Britain and Switzerland.

Fourth, via Tax Information Exchange (TIE) Agreements, which obligate the foreign country to assist in both criminal and civil tax investigations. Most countries have already signed a TIE with the US, including tax havens such as Liechtenstein and Switzerland. Countries which have not yet signed a TIE are anticipating being asked by the US to sign one. Not signing one would, as noted above, ostracize the defiant country from the international banking system.

Fifth, via a Mutual Legal Assistance Treaty (MLAT), which requires each participating country to disclose information - including bank account data - to the U.S. government in connection with an investigation of a serious crime, including tax fraud. Treaty loopholes, such as what constitutes "tax fraud" under the laws of the foreign treaty country, have been effectively closed by the successful U.S. attack on UBS and Swiss banking secrecy. The MLATs specify that local secrecy laws may not form a basis for refusing to provide the requested information.

Sixth, if the account is at a bank within the European Union, or a bank outside the EU that routes via Europe, then the account might already be under the watch of the CIA pursuant to the "Brussels Agreement", also known as the "Swift Agreement". That agreement gives the CIA direct access, upon demand, to bank accounts held in the EU. While perhaps this sounds very "Big Brother" and akin to conspiracy theory, such monitoring does exist and was developed after the terrorist attacks on 9/11. The purpose of the Agreement is to investigate terrorism finance, yet there is no limitation to the extent of banking information to be shared, including with the IRS.

Finally, even assuming that none of the above are actual threats to a non-compliant expat account (an assumption that would indeed be a huge leap of faith), the account is vulnerable to discovery if the expat ever wishes to access or use the foreign funds in any way connected to the US. Should the expat wish to move back to the US, accessing the account would raise red flags. If the expat wishes to buy real property in the US, or even invest in US securities, the source of funds would be revealed. A wire transfer from the foreign account to a US bank would likely trigger a Suspicious Activities Report (SAR) from the recipient bank to the IRS.

It should be pointed out that none of these threats to a foreign account is directed specifically against American expats living abroad. Indeed, the same threats apply to US residents with non-compliant foreign bank accounts. It's not the location of the taxpayer which gives rise to the threat; it's the foreign account itself. Thus, whether the account holder is an American living and working overseas, or an American living in the US with an account offshore, both persons should be concerned about the likelihood of the IRS discovering the account and prosecuting the account holder for not disclosing the account and paying taxes on foreign income.

Given these numerous threats to offshore account secrecy, what should the expat (or indeed, the US resident) do to remedy a non-compliant foreign account? First, the account holder should

bring the account into compliance. This includes the proper disclosure, i.e., "checking the box" as to ownership of a foreign account on IRS form 1040, Schedule B, as well as annual submission of the FBAR form mentioned above (Treasury Department Form TD F 90-22.1). It also means, of course, reporting and paying tax on all foreign income, including earnings, as well as interest and gains in or to the foreign account. However, it must be noted that simply, and suddenly, declaring a foreign account might give rise to the question of whether the account existed in prior years, in which case one would be alerting the IRS to past non-compliance. Thus, one must also address the question of whether or not to make a voluntary disclosure to the IRS. A voluntary disclosure would lead to paying past taxes, significant penalties and interest, but would likely avoid prosecution for criminal tax fraud, and would make amends for past non-compliance and allow for future compliance. The account holder might also consider a legal strategy involving transfer of the undeclared account in return for a foreign annuity and establishment of an offshore trust, which would accomplish asset protection, tax benefits and future tax compliance, but would not rectify past non-compliance and thus the voluntary disclosure option should again be considered.

Foreign banking tax compliance is crucial irrespective of where one lives, within the US or overseas. Non-compliant foreign bank accounts should be brought into compliance. The possibilities of discovery of the account, as seen above, are many. Expat Americans living and working abroad are as much on the radar as Americans living and working and banking at home.

Enclosure XIII

Ethiopian Media Forum

Statement by Brigadier General Hailu Gonfa and Colonel Gemechu Ayana

Until a few days ago, we were officers in the Ethiopian army sworn to protect the country's laws and diverse people from any threats. To our deepest dismay, we have come to the conclusion that the greatest threat to Ethiopia and the people emanates not from elsewhere but from the regime on power.

Over the last years, the armed forces have been systematically reduced to protecting the narrow interest of a small clique determined to cling to power at all costs. Under the circumstances the choices confronting us are: Either to remain with the same oppressive machinery or wait and see hoping against hope that things would improve on their own or through a miracle. We have waited too long; we cannot wait any longer.

Despite the calls by opposition groups to peacefully deal with the dire situation, EPRDF is showing no inclination whatsoever to address the country's mounting social, economic and political problems. Instead, it is intensifying repression. Even though this repressive machinery did not spare any people in the country, the magnitude and scale of repression, harassment and intimidation committed against Oromo people has no comparison. Moreover, it is considering new military adventures in the region that would not serve the legitimate interests of all affected—and could plunge the region into chaos.

Throughout the years we served this regime, we were hoping things would improve over time and expected the regime would also resolve political conflicts peacefully and truly democratize the country where political power emanates from the will of the people not from force. Now we have found this to be an empty promise. We are particularly elated that the Alliance for Freedom and Democracy (AFD) has offered a hope not only to eliminate the specter of more mayhem but also chart a better future through a process of dialogue involving all stakeholders in the search for comprehensive solutions.

We regret that the regime has flagrantly, and without serious consideration, rejected this offer of goodwill and continued on its path of destruction. We cannot therefore continue to defend a

minority and overwhelmingly rejected regime, sadly, that is committing untold atrocities against our own people.

It is time for us to take side in the fight between tyranny and liberty. Accordingly, we have dissociated ourselves from TPLF/EPRDF and joined the liberation struggle of our people gripped by the claws of tyranny. We have therefore joined the Oromo Liberation Front that is a member of the Alliance for Freedom and Democracy (AFD) to realize the age-old dream of all peoples for freedom and democracy.

To the Ethiopian Armed Forces

The incumbent regime has been fooling us all by falsely extolling its commitment to freedom, democracy and speedy economic development. This commitment has been put to test over the last 15 years. The tyrannical behavior of the regime demonstrates that this pledge runs skin deep and does not show any sign of change, which makes all our efforts and sacrifices in vain. We believe as long as the regime continues to defy the will of the people, our problems would multiply. That is why it has to be compelled to desist from its destructive path or be removed. We therefore call on you to follow our example and join the just and popular struggle.

To the international community

The minority Ethiopian regime does not have the capacity or the legitimacy to continue to rule the country. The regime, whose dismal 15 year tenure is more than enough to gauge its goodwill, needs to be pressed rather than appeased to submit to the call for dialogue. We strongly urge you to reconsider your support for it as it does not any more serve our common strategic interests.

Brigadier General Hailu Gonfa
Colonel Gamachu Ayana
September 14, 2006

Enclosure XIV

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دولة إرتيريا
وزارة الشؤون الخارجية

The State of Eritrea
Ministry of Foreign Affairs

PRESS RELEASE

Quoting obscure Israeli security officials, the Sunday Times published a report on April 19th claiming that "Israel and Iran are conducting rival intelligence operations in Eritrea."

The Sunday Times report further asserted: "Israel is said to have two Eritrean bases, one a 'listening post' for signals intelligence, the other a supply base for its German-built submarines, (while).. Iran has a naval base in (the Eritrean port) of Assab."

The invective against Eritrea has intensified in the past two months for reasons better known to its authors. It is nonetheless clear that it is driven by ulterior motives that transcend the fabricated, individual, events.

The main sources of these relentless vilification campaigns against Eritrea are, invariably, the key western intelligence sources that have refined the art of disinformation. Indeed, while these stories are originally concocted in the murky offices of these agencies, they are often attributed to some obscure "political dissident", "businessman" etc, in order to give them a semblance of credibility. Selected "human rights groups" (Africa Watch, CPJ etc.)and some NGOs are also being used as convenient conduits. The Sunday Times report is not thus a case of sloppy journalism. It is part and parcel of the disinformation campaign unleashed against Eritrea by these intelligence agencies with frantic intensity.

The facts are otherwise the following:

Israel does not have, and it never had, any base in Eritrea. But probably in order to sow discord between Eritrea and some Arab States, Israeli intelligence sources have been deliberately spreading, for the past 17 years, false rumours of a military base in the Dahlak Islands. When this lie was proven wrong beyond any shred of doubt, they appear to have come up with the new story of " two bases" . (The listening post is a throw back to the 1950s when the US acquired such a base at the Kagnew Station in Asmara, Eritrea's capital, in exchange for its support to Ethiopia's impending annexation of Eritrea).

Iran does not have a base in Assab or anywhere else in Eritrea. True, Eritrea and Iran have recently cultivated very warm diplomatic ties. But this is not different from the warm diplomatic ties that Eritrea enjoys with all other countries in the Middle East. Furthermore, Iran has resident embassies and much deeper economic ties with all other countries in the Horn of Africa: Ethiopia, Djibouti and the Sudan.

At a more substantive level and in terms of abstract rights, Eritrea has every prerogative and the inalienable right, as a sovereign state, to enter into military and economic alliances with any other country of its choice and in accordance with the exigencies of its national interests. If Eritrea has not provided a military base to any country so far, this emanates from its own considered choices. No other country has otherwise the right to approve or veto Eritrea's sovereign choices.

As pointed out above, the signing of bilateral or multilateral pacts and alliances is a matter of Eritrea's sovereign right. Eritrea does not, however, subscribe to the notion of providing military bases to other countries. Nor does it need them. Eritrea's sovereign choice has always been, and remains, that of aversion to dependency, polarized alliances and suzerainty.

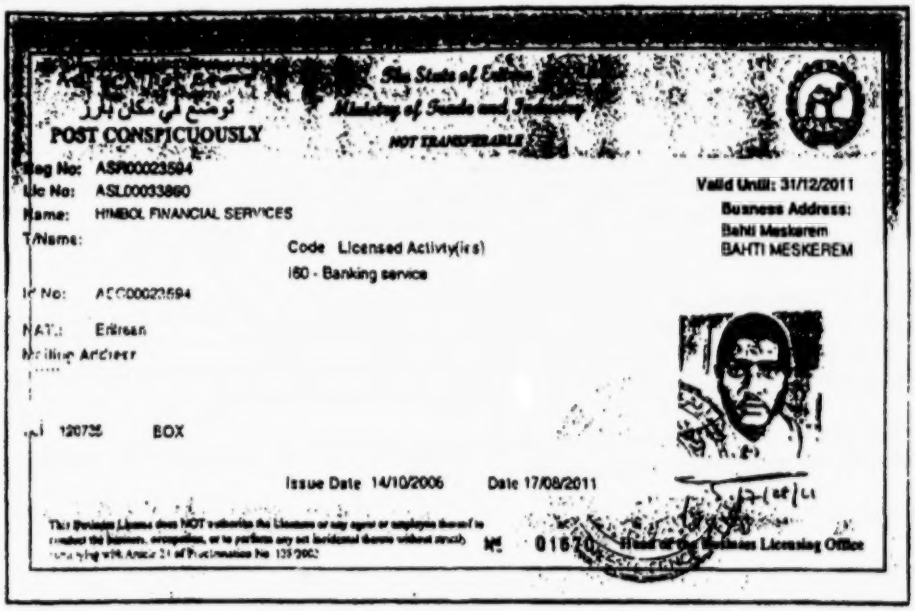
In the context of all these well-known facts, it cannot be difficult to imagine the underlying motivation of the incessant smear campaigns.

Ministry of Foreign Affairs

Asmara

21 April 2009

Enclosure XV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Lic No: ASL00033860

Name: HIMBOL FINANCIAL SERVICES

T/Name:

Code Licensed Activity(ies)

I60 - Banking service

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BAHTI MESKEREM

Id No: ASC00023594

NAT.: Eritrean

120735 BOX

Issue Date 14/10/2006 Date 17/08/2011

01670

Enclosure XVI

10/10/2011

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ሂምቦል ኣብ ዝተፈላለያ ሃገራት ወጺኢ ንነበብሩ ኤርትራውያን ኣገልግሎት ምትሕልላፍ ገንዘብ ናብ ኤርትራ ንምሃብ ምስ ዝተፈላለያ ወፃኣውያን ዓለምለኻውያን ኣመሓላለፍቲ ገንዘብ ውዕል ብምእታው ኣገልግሎት ይህብ ኣሎ። ዝርዝር ናይቶም ምስ ሂምቦል ውዕል ኣትዮም ዝሰርሑ ዘለው ዓለምለኻውያን ኣመሓላለፍቲ ገንዘብ እዚ ዝስዕብ እዩ።

	Agent Name	Head Quarter Location	Date Contract Signed
1	WESTERN UNION	U. S.A	16 November 2006
2	XPRESS MONEY	U. A. E	20 December 2004
3	ALAmoudi Bank	Saudi Arabia	25 January 1995
4	TMT	U.S.A	24 November 2004
5	EriCommerce	U.K	01 October 2005
6	RIA FINANCIAL SERVICES	U.S.A	17 August 2009
7	Ez Remit	U.A.E	27 December 2005
8	ARY Forex Ltd.	U.A.E	10 May 2007
9	MONEY EXCH.SA	Spain	04 September 2006
10	LARI EXCHANGE ESTABLISHMENT	U.A.E	28 December 2006

ዓውት ንሓፋሽ!

Unofficial translation

Himbol – Agreement with international remittances service providers

Himbol, in contractual agreement with different legitimate international remittance service agencies around the world, provides money transfer service to Eritreans living abroad. The following are the international service providers that have contractual agreement with Himbol.

LIST OF OUR MAJOR CORRESPONDENT BANKS

NO	NAME OF CORRESPONDENT BANKS	ADRESS
1	CITIBANK	NEW YORK
2	CITIBANK	LONDON
3	FEDERAL RESERVE BANK OF NEW YORK	NEW YORK
4	COMMERZBANK AG	FRUKFURT
5	DZBANK	FRUNKFURT
6	SWISS BANK CORPORATION	ZURICH

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توضع في مكان بارز
POST CONSPICUOUSLY

The State of Eritrea
Ministry of Trade and Industry
NOT TRANSFERABLE

Reg No: ASR00014680
Lic No: ASL00033584
Name: RED SEA TRADING CORPORATION
Trade name: RED SEA TRAD CORP IMP EXP
TIN: ASC00014680
Nat.: Eritrean

Code Licensed Activty(ies)
G20 - Wholesale nonedibles,no(gas,petroleum prds.)
GH1 - Import & Export H S Code Section XV

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Maekelay ketema
SEM MBR 05 ST RAS
ALULA 29/31

Mailing Address
SEM MBR 05 ST RAS ALULA 29/31
Tel 123387 BOX 332

Issue Date 30/04/2008 Date 08/11/2010

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№ 12840

Head of the Business Licensing Office

Enclosure XVII

Enclosure XVIII

LIST OF HONORARY CONSULS OF ERITREA

1. Greece	Fekadu Tewoldemedhin
2. Hungary	Tesfay Haile
3. India	Sanjay Goenka
4. Lebanon	Abdalla Al Matraji
5. Norway	Abrham Woldu
6. Pakistan	Shakil Aftab Kashmirwala
7. Philippines	George T. Yang
8. South Korea	Eui-Jae Kim
9. Switzerland	Toni Locher
10. Tanzania	Ally K. Sykes Sr.
11. Thailand	Soonthorn Kengvibul
12. Uganda	Tesfalem Gherahtu

Enclosure XIX

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Ambasciata dello Stato
di Eritrea

Roma, 24/12/2009

COMUNICATO STAMPA

In questi ultimi tempi l'Eritrea è stata oggetto di particolare accanimento di cronaca mediatica. Alcuni settori della stampa italiana hanno volutamente fare uso strumentale, delle vicende giudiziarie dell'assessore al turismo della Regione Lombardia, il Sig. Pier Gianni Prosperini. In riguardo l'Ambasciata dello Stato Eritrea desidera comunicare quanto segue.

- Nel quadro dei buoni rapporti esistenti tra Italia ed Eritrea, il Governo eritreo e le Autorità che lo rappresentano, intrattengono relazioni di reciproco interesse con le istituzioni centrali e locali italiane. Data la particolarità del rapporto storico – culturale tra i due paesi, l'intreccio delle relazioni che si sono create negli ultimi anni di indipendenza dell'Eritrea, sono tanti e toccano vari settori del commercio, dell'industria e della cultura italiana nel suo insieme.
- Le relazioni che si sono instaurate con la Regione Lombardia rientrano nel quadro generale di tante iniziative che il governo eritreo promuove e realizza in stretta collaborazione con delle istituzioni pubbliche e private. Ne sono la dimostrazione il crescente interesse commerciale ed industriale degli imprenditori italiani. Il rapporto di fiducia sviluppatosi con le istituzioni lombarde nel loro insieme (ma anche con altre realtà regionali) scaturisce dalla concretezza di rapporti coltivati e maturati nel tempo. Il coinvolgimento della figura dell'assessore Pier Gianni Prosperini, non è altro che il risultato di tali rapporti che, in qualità di rappresentante istituzionale, il nostro governo ha voluto onorare il ruolo promotore degli enti locali e di chi è chiamato a svolgere tale funzione. L'Assessore Prosperini, ha collaborato in qualità di promotore istituzionale per facilitare rapporti di sicura credibilità con il mondo della produzione. Il contratto firmato tra il governo eritreo e l'impresa navale fornitrice, Cantieri navali Vittoria, ha avuto esito finale nella trasparenza e regolarità previsto dal contratto stesso.
- Le notizie giudiziarie che sono state ampiamente divulgate dalla stampa, sono vicende che riguardano la persona del Sig. Prosperini . Pertanto, il tentativo di creare collegamenti con l'acquisto dei pescherecci, è soltanto strumentale ai fini politici locali.
- Pertanto, l'Ambasciata d'Eritrea coglie l'occasione, per rivolgere un sincero invito alla stampa italiana in generale ed alle testate giornalistiche che in coincidenza di momenti particolari si sono prodigate per denigrare il paese, ad impegnarsi seriamente per approfondire le ricerche sull'Eritrea, inquadrare il suo profilo attuale, nel contesto degli eventi che stanno segnando il Corno d'Africa. A tale proposito l'Ambasciata rimane disponibile a collaborare con i giornalisti che abbiano intenzione di visitare il paese e raccogliere le informazioni sul campo.

Enclosure XX

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دولة إرتيريا
وزارة الشؤون الخارجية

The State of Eritrea
Ministry of Foreign Affairs

PRESS RELEASE

- The Government of Eritrea is appalled to learn that some quarters are currently engaged in arranging what they call "the resettlement in some third country or countries" of Kunama families who presently find themselves under forced custody in a so-called refugee camp in Tigray, Ethiopia.
- The illegal and unacceptable campaign by these self-appointed external parties has, apparently, been underway for many months now. The campaign appears to have been conducted in a flagrantly surreptitious manner; without first appraising the underlying and complex circumstances that gave rise to the situation; ascertaining the wishes of the people concerned and/or informing the government of Eritrea. There is credible evidence that these groups are employing unscrupulous methods to entice the destitute families to opt for resettlement in some western country or countries rather than returning home.
- It must be underlined at the outset that there is nothing like "a Kunama problem" in Eritrea. The Kunamas have fought with the same degree of commitment and heroism, and, paid the same high sacrifices as other Eritrean language and ethnic groups for the liberation of their country in the thirty years of armed struggle against Ethiopian colonial rule. And in an independent Eritrea that respects and safeguards, both through explicit Constitutional provisions and concrete policies and programmes, the equality of all language and ethnic groups, the Kunamas enjoy the same political, social and economic rights, opportunities and privileges as their compatriots. Nobody in their right mind can thus misconstrue reality to portray the Kunamas as a "persecuted minority or endangered species". If some zealous groups in the West are indeed engaged in an elusive search of a sensational humanitarian cause that would in some subliminal way atone for past crimes of slavery, we advise them to look elsewhere.
- In as far as the 3,000 or so Kunama refugees in Tigray (Adi Goshu) are concerned, these are mostly innocent civilians, including women and children, who were taken to that location by TPLF troops when they withdrew from the Gash Barka region (western Eritrea) after occupying the area for some weeks in the invasion that Ethiopia unleashed against Eritrea in May 2000. Ever since, the TPLF regime has literally kept them there as hostages through force and coercion; preventing their free return to their homeland. Those who have managed to escape from the camp and return home in a roundabout way through the Sudan attest this.

- The 3000 or so Kunama families in the Adi Goshu camp represent a very minute fraction of the Kunama ethnic group in Eritrea. The fact that the Kunama citizens in the country enjoy the same rights, privileges and obligations as other Eritreans proves that there is no ground for the resettlement scheme. Claims that there could be reprisals when they return to Eritrea are totally unfounded. Those who have returned have been welcomed with open arms by the government and society and assisted to pick up their lives again. Indeed, similar insinuations were voiced in regard to the repatriation of Eritrean refugees from the Sudan, many of whom were alleged to have had ties with subversive groups and to be opposed to the Eritrean government. The manner in which these refugees, whose number exceeds 100,000, were integrated without any discrimination or retribution belies the current groundless accusations.
- It must be borne in mind that the present Ethiopian regime is pursuing the same policy of its predecessors of dividing the Eritrean people along ethnic and religious lines. Mengistu's regime had institutionalized a policy of regionalisation to drive a wedge between highland and lowland Eritrea, between Christian and Moslem Eritreans etc. Within this divisive policy framework, the Kunamas, and some other minority groups, were singled out for special treatment so that they would oppose the liberation struggle. But the endeavour failed miserably. And, as it happened, the Kunamas participated in the liberation struggle and on the side of the EPLF in full force and with high commitment and determination.
- Since launching its war of aggression in 1998, the TPLF regime has resorted to similar practices. To this end, it has created subversive groups that include the "Kunama liberation front". These handful terrorist groups have no base or constituency in the country. This is indeed the primary reason why the TPLF regime continues to keep the Kunama families in the Adi Goshu camp, virtually as hostages, to use them as a recruitment pool for the subversive groups.
- The Government of Eritrea strongly deplores the illegal and hostile acts of the TPLF regime that contravenes international law. The Government of Eritrea stresses that these Kunama families abducted by the regime in Ethiopia have a fundamental human right to return to their homeland and rejoin the families from whom they were forcibly separated. The Government of Eritrea accordingly demands that those groups engaged in a violation of this fundamental right desist from their illegal acts. It further calls on the UNHCR and the international community to facilitate their early return home.

Ministry of Foreign Affairs

3 March 2003

Enclosure XXI

Eritrean Victims of Ethiopia's Terrorist Act

SIDIGH MOHAMMED KHALIFA
Terrorist